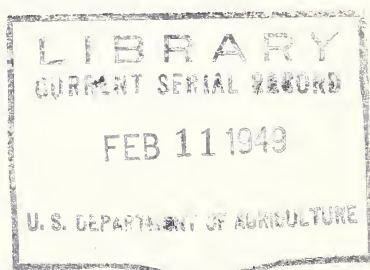


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Report of the Manager of the Federal Crop Insurance Corporation, 1948



UNITED STATES DEPARTMENT OF AGRICULTURE

INTRODUCTION

The fiscal year 1948 was the ninth year of active operation for the Federal Crop Insurance Corporation. It was the first year since the inception of crop insurance that a net profit has resulted from the over-all operations. It was also a year of transition from what logically may be termed the second stage to the third stage in the development of Federal crop insurance.

The first stage was the five crop years from 1939 through 1943 when Federal crop insurance was launched with an all-out attempt to insure unavoidable crop losses on a Nation-wide scale. Wheat was insured for the 5 years and cotton for the last 2 years of this period. Net losses were suffered each year, Congress suspended the program, and no crops were insured in 1944.

The second stage of development began with the reinstatement of the program by Congress and extended from 1945 through 1947. Wheat, cotton, and flax were insured on a Nation-wide basis during this period and insurance was started experimentally on tobacco and corn in a few counties. The experience gained in the first period enabled the Corporation to establish a better basis for insurance in the second period.

In this second period the Corporation operated with a profit on three of the five commodities—wheat, flax, and tobacco—and a small loss on corn. However, heavy losses on cotton continued during the first 2 years of this 3-year period and were so large that they offset the favorable experience for other commodities and resulted in a net operating loss on the over-all program. This situation was a primary factor resulting in legislation in 1947 which limited the scope of crop insurance operations not only on cotton but also on all commodities beginning with the 1948 crop year.

The third period in the development of all-risk crop insurance got under way in 1948 with the transition to the limited program. Operations on wheat, cotton, and flax are sharply reduced while those on tobacco and corn are expanded slightly. The Corporation also initiated experimental insurance in 1948 on two other crops in a few counties.

The fiscal year covered by this report was high-lighted by favorable experience and the transition from operating on a Nation-wide basis to operating on a limited basis with greater emphasis on experimentation.

REPORT OF THE MANAGER OF THE FEDERAL CROP INSURANCE CORPORATION, 1948

UNITED STATES DEPARTMENT OF AGRICULTURE,
Washington 25, D. C., October 14, 1948.

HON. CHARLES F. BRANNAN,
Secretary of Agriculture.

DEAR MR. SECRETARY: I present herewith the annual report of the Federal Crop Insurance Corporation for the fiscal year 1948.

This report goes somewhat beyond the customary scope of the usual annual report in that it not only covers the accomplishments of the fiscal year but also briefly summarizes the Corporation's experience to date. This seems appropriate inasmuch as Federal crop insurance during the fiscal year 1948 completed one well-defined period of operation and began another in accordance with new legislation discussed in our 1947 annual report.

Sincerely yours,

G. F. GEISSLER, *Manager.*

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TRANSITION PERIOD

The 1948 fiscal year was one of transition from operating on a national basis to operating on a limited basis. In the 1947 crop year the Corporation operated in approximately 2,500 counties but in the 1948 crop year operations were reduced to 375 counties, in accordance with the legislation of August 1, 1947, which was discussed in the 1947 annual report of the Corporation. Servicing of crop insurance contracts on the 1947 crop had to be completed and insurance operations on the 1948 crop started. The fiscal year ends about the middle of the growing season for most agricultural commodities, whereas insurance usually covers a crop from the time it is planted until it is harvested.

The transition to the new reduced operating basis could not be made immediately. Although legislation was enacted August 1, 1947, premiums had to be collected and losses adjusted on Nation-wide activities. At the same time it was necessary to select the limited number of counties in which operations could be continued in the 1948 crop year, to plan and develop insurance within the framework of the new legislation, to sell insurance in these counties and to begin the servicing of the insurance policies therein.

The collection of premiums and adjustment of losses on Nation-wide activities was affected very adversely by the discontinuance of insurance in about 2,100 of the 2,500 counties. Where the program was being discontinued, some insured farmers felt they should collect all they possibly could on indemnities and others felt that they should not be required to pay their premiums. This work was further handicapped by the inevitable loss of the trained personnel in these counties. Nevertheless, during the fiscal year 1948 an intensive drive was put on to collect both the difficult 1947 premiums and any delinquent accounts of other years.

The selection of the counties in which insurance could be continued in the 1948 crop year involved several factors. Considerable weight was given to the importance of the crop in the area, how well the county represented the area in which it was located, and the past insurance experience in the county, including the interest of farmers in insurance as indicated by their participation in the program. The new legislation required that the counties selected should be representative of the several areas where the agricultural commodity being insured was normally produced except that insurance was not to be provided in counties where the income from the insurable crop constituted an unimportant part of the agricultural income. An effort was also made to select counties where the insurance experience in prior years was fairly representative.

The selection of these counties was not an easy task. The wheat, cotton, and flax programs were being reduced from a national scale to an experimental basis and the tobacco and corn programs were being expanded somewhat from the 19 counties in which each program operated the previous year. There were over 600 wheat counties which could meet any reasonable standards for an insurance program in the 1948 crop year, whereas on the other hand, the tobacco and corn programs could not be extended to all counties desiring the insurance protection. The location of the counties selected for these five commodities and the location of the total acreage planted to these commodities are shown in figures 1 and 2, pages 17 and 24.

The new legislation discontinued insurance in all counties except those selected for 1948. It therefore was necessary for the Corporation to notify the insured wheat and cotton farmers in counties that were not selected that their contracts had been terminated as of the end of the 1947 crop year. This notification was necessary because the wheat contracts had been written on a term basis, covering a 3-year period, and the cotton contracts on a continuous basis. The many inquiries and protests regarding these cancellations involved far more work than the actual cancellations.

The adjustment of the administrative organization to fit the change from large-scale operations to the more intensive operations in a few

counties was an administrative job of major proportions during the year.

At the county level the crop insurance program, with the exception of the loss adjustment work since 1945, has been performed in prior years by the county committees of the Production and Marketing Administration or its predecessor agency. This work was performed under an over-all arrangement for the county as a whole without regard to whether or not the committees wanted to perform this function.

For 1948, agreements were worked out with individual counties where the county committee wished to continue the crop insurance work. However, in a few counties satisfactory arrangements could not be made with the Production and Marketing Administration committees, so the Corporation set up its own county office and crop insurance committees to administer the program. These crop insurance committees are composed of three successful farmers and are directly responsible to the Corporation. Both of these local administrative set-ups have their advantages and disadvantages but more time and experience will be required to make an adequate comparison of efficiency and cost.

The county committee is very important in the local administration of crop insurance. It assists in establishing variations in coverages and premium rates between areas in the county. It is responsible for presenting the insurance program to farmers, obtaining applications, and most of the servicing of the insurance contracts with the exception of loss adjustment, including the collection of premiums. In addition, the county committee office is generally the liaison between the farmer and the Corporation, thus serving as a local point of contact in much the same manner as a local agent does for his insurance company in the area.

The Corporation has adopted a policy of incorporating the full loss experience into the premium rate of the county. This principle is not only sound from an actuarial point of view but it also has a stimulating effect on good local administration of the insurance program. It has resulted in local people becoming increasingly aware of the fact that losses paid in their county have a strong influence on their future premium rate.

The end of the transition period completes the change from providing a Nation-wide service for the immediate protection of farmers to developing a basis for future service. The smaller number of counties involved will enable the Corporation to devote more attention and analysis to the individual counties for the purpose of developing a sound and workable insurance program for future use on a wider scale.

DEVELOPING INSURANCE PROGRAMS FOR THE 1948 CROP YEAR

During the fiscal year 1948 the insurance programs for the 1948 crop year were developed within the framework of the new legislation, which provided broad authority for trying any plan or plans of insurance if sufficient actuarial data are available, and placed an additional limit on the amount of insurance protection that could be made available to a farmer. This limitation restricts the coverage per acre to an amount which represents not more than the investment per acre in the insured crop in the area. This represents a change from past

years when the insured coverage for many farmers provided protection of some profit as well as the production costs. This limitation results in generally lower coverage than in previous years, and because the coverage is lower, it can be sold at a lower premium rate.

Under the liberal provisions of the legislation for trying any plan or plans of insurance, the Corporation in 1948 is testing two general plans of insurance. One is known as "commodity-coverage insurance" and the other as "monetary-coverage insurance." The commodity-coverage insurance has both the amount of protection and the premium stated in terms of commodity units such as bushels or pounds. The amount of coverage is based on the productivity of the area in which the farm is located and the insured farmer is indemnified if the yield produced is less than his coverage. The amount of protection is lower in the early stages of production and increases progressively, thus paralleling the increasing investment in the crop. The premium rate is based upon the risk of producing the crop in the area and is generally the same rate for all farms within a similar area.

Except for several changes which have been put into effect under the new legislation, the commodity-coverage insurance is the same plan that has been used extensively since the beginning of Federal crop insurance. One of these changes is the lower coverage mentioned above. The commodity-coverage insurance for 1948 generally approximates 60 percent of the long-time average yield for the land, whereas in previous years the maximum coverage was 75 percent.

Another important change is in the pricing of premiums and indemnities. A provision of the new legislation permits the establishment of a predetermined price, annually, for use in computing the cash value of both commodity premiums and indemnities. A major advantage of this provision is that the indemnities are computed on the same price basis as premiums. This makes for considerable savings to the Corporation in storage costs, since it is no longer necessary to carry in store premium reserves in commodity units in order to be protected against price fluctuations between the time the premiums are due and losses are paid. It also makes possible the much earlier establishment of the cash value of commodity premiums, so that premium collections can be started earlier.

Most of the insurance in 1948 continued to be under the commodity coverage plan but the monetary coverage plan was tried on all commodities. Under this plan the established coverage and premium rate are stated in dollar amounts instead of bushels or pounds, as in commodity coverage insurance. As in the case of commodity insurance the amount of protection is progressive and increases as more production costs are incurred. If the value of the crop produced is less than the guaranteed amount, the insured producer is indemnified. For most commodities the value of production is based on a predetermined price which approximates either the price support level for each commodity or the probable market price for the year of insurance. Under both plans of insurance more consideration is being given to quality than in past years, since a farmer may sustain an unavoidable loss from poor quality as well as from low yield.

Basically, the coverages and premium rates for both commodity and monetary insurance are first established in terms of bushels or pounds. For monetary-coverage insurance, however, the bushel or pound figures are converted to monetary amounts before the insurance is offered to farmers. The conversion price is the same predetermined price that is later used to evaluate production under this plan. This necessitates the establishment of a predetermined price for monetary-coverage insurance before the insurance program is offered to farmers. Generally this is about a year before the harvesting and selling of the insured crop to which the price applies. Establishing the predetermined price so far in advance presents a problem in arriving at a figure which is not materially different from the probable market price. For commodity-coverage insurance the predetermined price is generally established later in the season than for monetary-coverage insurance and thus presents less of a pricing problem.

Some features under both plans of insurance were either initiated or emphasized for the first time in 1948. One which was initially tested in some counties was the allowing of a 5-percent discount to those farmers who paid their premium in full at the time of signing the application or before a specified date early in the growing season. Along with this was the continuance of the provision begun 3 years ago in all counties whereby interest is charged on delinquent premiums. Both of these provisions were included with a view of obtaining prompt payment of premiums.

A twofold feature receiving special emphasis was the refusal of insurance on certain land and to certain individuals because of the risk involved. Both of these features were designed to reduce the payment of unjustifiable losses. The Corporation designated certain land upon which it would not offer insurance because the risk of growing the insurable commodity was either too great or undeterminable. Also, a review of the loss records for past years showed that certain individuals were poor insurance risks and applications for insurance were not accepted from these persons. The uninsurable land and individuals did not necessarily coincide. Insurance was refused on the land regardless of who farmed it and to the individual regardless of the land farmed by him.

The Corporation is gradually adopting a change in the term of its insurance policy. For the past 3 years it has been experimenting on cotton with a policy which remains in force from year to year until canceled by either the insured farmer or the Corporation. It contains a provision whereby changes may be made for future years, and if the farmer does not want to accept any change he may exercise his cancellation privilege. The principal advantage of this contract is its continuity of participation without the necessity of annual sales contacts with the insured. It is being gradually adopted for wheat, flax, tobacco, and corn in addition to cotton. In recent years wheat has been insured under a 3-year term policy and flax, tobacco, and corn under annual policies. The Corporation will continue to use annual policies when initiating experimental insurance on new commodities until the feasibility of insurance on such commodities has been established.

INSURANCE ON NEW COMMODITIES

Beginning with the 1948 crop year insurance was initiated experimentally on dry edible beans, and oats was included as one of several commodities insured under a multiple-crop policy described in the next section in this report. Insurance had not been offered on a new commodity since 1945. Dry edible beans were insured under a single-crop policy in only four counties which were located in New York, Michigan, Colorado, and Idaho. The offering of this insurance in such a limited number of counties reflects the Corporation's strong belief that insurance on any new commodity should be started on a small scale and expanded slowly as experience indicates that such insurance is reasonably sound and expansion is practical.

In selecting these new commodities considerable weight was given to the importance of the crop to the farmers of the Nation and the demand of farmers and other interested groups for insurance protection. Dry beans is one of the most important food crops on which insurance was not being tried and is an important source of income where produced. Oats not only is one of the more important feed crops not previously insured but it also is a crop that is grown generally throughout most of the Nation. There has been substantial producer demand for insurance on both commodities.

The monetary coverage contract was used in all four of the bean counties and was rather well received by farmers. This program has operated satisfactorily to date and a moderate expansion is planned for 1949.

MULTIPLE-CROP INSURANCE

Multiple-crop insurance is a new comprehensive plan of insurance which was developed by the Corporation and offered for the first time in 1948 in two counties. It represents a substantial departure from other crop insurance programs in that a number of commodities are insured under one contract. Under this plan of insurance the monetary amount of coverage for a farmer is the total of the separate coverages for all insured commodities on his farm. A loss is paid only when the value of the production from all the insured commodities is less than the total coverage.

This insurance is an experiment aimed at meeting the insurance needs of the many diversified farming areas where insurance on an individual crop offers inadequate protection because no single crop represents a major source of income. The two counties in which multiple-crop insurance was initiated are located in such areas. The insurance contract covers oats, wheat, flax and corn in one of these counties and oats, wheat, corn and dry edible beans in the other.

A considerably lower premium rate can be charged under multiple-crop insurance than would be necessary if the crops were insured separately. This is due to the fact that loss on one crop may be offset by production from the other insured commodities. The extent to which the rate is lower depends upon the amount of diversification practiced by the farmer.

Based on the limited experience with multiple-crop insurance in the two counties it appears that this type of program is feasible, and the Corporation plans a moderate expansion into additional counties and

commodities for the 1949 crop year with a view of developing and testing it further.

REINSURANCE

The new amendment authorized the Corporation to reinsure private insurance companies which insure agricultural commodities under contracts acceptable to the Corporation. The primary purpose of this provision was to encourage private insurance to enter the field of all-risk crop insurance. During the fiscal year 1948 several insurance companies were contacted and the Corporation is anxious for them to try the writing of all-risk insurance. However, although some expressed an interest in writing this type of insurance, none of them have indicated to date that they were in a position to try all-risk insurance at this time. A major obstacle seems to be the provisions of the charters of insurance companies and the State laws under which they have to operate. The Corporation is continuing to contact companies with the hope that the reinsurance provision can be put into operation.

PARTICIPATION FOR 1948 CROP YEAR

Although crop insurance was in force for the 1948 crop year in only about one-sixth of the number of counties in which it operated the prior year, there are nearly one-third as many contracts in force for 1948 as there were in all counties for 1947. This in large measure reflects the present policy of insuring a crop in areas where it represents an important part of the total farm income.

About one-half of the contracts in force are on wheat but this is primarily due to the fact that approximately one-half of the total insurance counties are also wheat counties. However, wheat insurance, along with tobacco and flax insurance, appears to be somewhat more acceptable to farmers, to judge by the percentage of eligible farms insured. For each of these three commodities about 35 percent of the eligible farms in the selected counties are insured. For corn about 20 percent of the eligible farms are insured and for cotton about 13 percent. The participation in the bean and multiple-crop programs was satisfactory for the first year of this experiment with 26 percent of the eligible bean farms and 16 percent of the multiple-crop farms being insured.

The following tabulation shows the number of counties in which an insurance program is operating for 1948, the number of contracts in force in these counties, and the percentage of eligible farms insured for each commodity.

| Commodity: | Insurance data | | |
|---------------------|--|--------------------------------|---|
| | Counties with insurance program (number) | Contracts in force (number) | Percent of eligible farms insured (percent) |
| Wheat..... | 200 | 84, 990 | 37 |
| Tobacco..... | 32 | 31, 605 | 35 |
| Cotton..... | 53 | 19, 479 | 13 |
| Flax..... | 48 | 16, 782 | 35 |
| Corn..... | 36 | 14, 115 | 20 |
| Beans..... | 4 | 1, 444 | 26 |
| Multiple crops..... | 2 | 714 | 16 |
| Total..... | 375 | 169, 129 | -- |

UNDERWRITING EXPERIENCE FOR THE 1947 CROP YEAR

The crop year 1947 was the first one since the start of Federal crop insurance that a profit was made on the combined insurance operations of all commodities. During each of the two previous years some of the commodities operated with a premium balance but each time excessive losses on one or more other commodities caused an over-all operating deficit. For 1947, however, there was nearly a \$10,000,000 profit after about \$34,000,000 had been paid to insured farmers for crop losses. This creditable balance is primarily the result of improvements which have been made in the program from year to year, better administration, and generally favorable weather and crop conditions.

One of the major program improvements adopted was the progressive coverage feature under which the amount of insurance protection is low early in the growing season and increases as the season progresses. Prior to 1945 the coverage was uniform throughout the season. Another improvement was the incorporation of several features designed to minimize selectivity. These features include the establishment of earlier deadline dates for submitting applications for insurance which were advanced enough that the prospects of producing a crop could not be forecast, and the adoption of cancellation dates which were well in advance of planting time in cases where term or continuous contracts were used. In addition, the premium rate structure has been improved and refined. These and other improvements were incorporated as rapidly as the need therefor was discovered and their practicability established.

The weather and crop conditions were generally favorable over most of the country during the 1947 growing season. It is generally expected in crop insurance operations that premium reserves will be accumulated in years of good crops to cover losses in years when crops are below normal. Although 1947 was generally a very favorable crop year, it was not good for all crops. The corn yield was the lowest since the drought year of 1936 and this completely justified the losses paid to insured corn farmers amounting to \$2.18 for each dollar collected in corn premiums. On wheat and flax the indemnities amounted to a little less than 60 percent of the premiums while on tobacco and cotton the premiums and indemnities will approximately balance.

The third factor contributing to the good operating results was the improved administration of the program at the county level. The variation of coverages between areas is being refined, more representative insurance risks are being obtained, and the loss adjustment work continues to show marked improvement. The proper adjustment of losses is an important phase of the Corporation's operations. It is sometimes difficult to determine the exact amount of unavoidable loss sustained by a farmer under his insurance policy and the Corporation has made a concerted effort to obtain the services of impartial and competent adjusters.

The 1947 underwriting experience is given in detail for the several commodities in the next five sections of this report. In addition, a general description of the program is included for each commodity and the insurance experience summarized to date.

TABLE 1.—Federal crop insurance experience, United States summary, 1945-47
(As of June 30, 1948)

| Commodity | Crop planted and premium earned | | | | | | | | | | | | | | |
|-----------|--|--------------------|-------------|-------------|------------------|---------------------------------|------------------------------------|----------------------------|-------------------------------|------------------------------------|----------------|---------------|---|-----------------------|----------------------------|
| | Con- tracts in force ¹ | Farms ² | | | Indem- nities | Insured acreage ² | Insured production ³ | Commodity basis | | | Monetary basis | | | | Loss ratio ⁵ |
| | | Num- ber | Num- ber | Num- ber | | | | Pre- miums ⁴ | Indem- nities ⁴ | Surplus or deficit ⁴ | Premiums | Indemnities | Gain or loss from commodity transactions | Surplus or deficit | |
| | | | | | | | | | | | | | | | |
| Wheat: | | | | | | | | | | | | | | | |
| 1945: | | | | | | | | | | | | | | | |
| 1946: | | 14,390 | 12,836 | 19,494 | 2,209 | 1,105,857 | 7,594,433 | 1,083,790 | 471,916 | 611,874 | 1,514,228.54 | 687,792.74 | 2,980,080.18 | 826,435.80 | 0.44 |
| 1947: | | 305,428 | 225,397 | 292,273 | 45,564 | 84,159,618 | 9,228,563 | 5,389,350 | 3,839,243 | 3,839,243 | 16,075,038.13 | 10,172,676.63 | 3,017,931.92 | 8,882,441.68 | .58 |
| Total: | | 360,408 | 248,544 | 318,803 | 37,739 | 11,572,800 | 99,506,400 | 10,721,269 | 6,346,986 | 4,374,283 | 22,364,356.20 | 16,078,039.85 | 5,998,012.10 | 9,304,248.27 | .59 |
| Flax: | | | | | | | | | | | | | | | |
| 1945: | | 680,226 | 484,777 | 630,570 | 85,512 | 21,902,490 | 191,200,451 | 21,033,652 | 12,208,252 | 8,825,400 | 39,933,622.87 | 26,938,509.22 | 5,998,012.10 | 19,013,125.75 | .58 |
| 1946: | | 31,131 | 26,036 | 31,787 | 6,930 | 770,619 | 3,675,605 | 486,935 | 288,761 | 198,174 | 1,415,484.93 | 842,252.94 | --- | 573,231.99 | .59 |
| 1947: | | 10,412 | 8,836 | 10,826 | 3,528 | 277,022 | 1,241,044 | 173,849 | 186,159 | -12,310 | 649,138.52 | 1,183,772.16 | --- | -534,633.64 | 1.07 |
| Total: | | 35,613 | 28,391 | 35,859 | 7,001 | 1,204,400 | 4,857,500 | 712,941 | 412,154 | 300,787 | 4,101,342.19 | 2,664,679.83 | 110,500.00 | 1,547,162.36 | .58 |
| Cotton: | | | | | | | | | | | | | | | |
| 1945: | | 77,156 | 63,263 | 78,472 | 17,459 | 2,252,051 | 9,854,209 | 1,373,725 | 887,074 | 486,651 | 6,165,965.64 | 4,690,704.93 | 110,500.00 | 1,585,760.71 | .65 |
| 1946: | | 96,231 | 89,980 | 113,848 | 48,400 | 3,042,651 | 382,648,797 | 22,321,120 | 76,404,653 | -54,083,533 | 5,272,242.54 | 20,533,916.85 | 87,000.00 | -15,174,674.31 | 3.42 |
| 1947: | | 114,270 | 106,671 | 132,056 | 73,996 | 4,206,100 | 527,400,300 | 43,305,376 | 151,124,755 | -107,819,379 | 15,202,786.14 | 51,526,505.58 | -742,709.83 | -37,066,429.27 | 3.49 |
| Total: | | 122,212 | 101,341 | 119,166 | 38,544 | 2,916,700 | 420,892,400 | 40,098,231 | 41,834,636 | -1,736,405 | 13,089,937.20 | 13,689,834.98 | --- | -599,897.78 | 1.04 |
| Tobacco: | | | | | | | | | | | | | | | |
| 1945: | | 332,713 | 297,992 | 365,070 | 160,940 | 10,265,451 | 1,330,941,497 | 105,724,727 | 269,364,044 | -163,639,317 | 33,564,965.88 | 85,750,287.41 | -655,709.83 | -52,841,001.36 | 2.55 |
| 1946: | | 12,587 | 12,071 | 13,826 | 54,163 | \$14,557,715 | --- | --- | --- | --- | 676,722.42 | 532,038.84 | --- | 144,683.58 | .79 |
| 1947: | | 13,891 | 13,322 | 17,763 | 72,832 | 16,709,454 | 4,981,763 | --- | --- | --- | 800,374.90 | 327,972.67 | --- | 472,402.23 | .41 |
| Total: | | 14,715 | 14,379 | 16,549 | 74,000 | 16,074,254 | 16,074,254 | --- | --- | --- | 702,678.66 | 516,958.97 | --- | 185,719.69 | .74 |
| Total: | | 41,193 | 39,772 | 48,138 | 200,995 | 47,341,423 | --- | --- | --- | --- | 2,179,775.98 | 1,376,970.48 | --- | 802,805.50 | .63 |

See footnotes at end of table, p. 10.

TABLE 1.—Federal crop insurance experience, United States summary, 1945-47—Continued
(As of June 30, 1948)

| Commodity | Crop planted and premium earned | | | | | | | | | |
|-------------------------------------|---------------------------------|---------|-------------------------|---------|------------------------------|---------------|---------------------------------|--------------------------|---------------------------------|---------------------------------|
| | Contracts in force ¹ | | Contracted ² | | Insured acreage ² | | Insured production ³ | | Commodity basis | |
| | Number | Number | Number | Number | Acres | Number | Acres | Number | Indemnities ⁴ | Surplus or deficit ⁴ |
| Contracts in force ¹ | | Number | Number | Number | Acres | Number | Acres | Indemnities ⁴ | Surplus or deficit ⁴ | Loss ratio ⁵ |
| Corn: | | Number | Number | Number | Acres | Number | Acres | Indemnities ⁴ | Surplus or deficit ⁴ | Loss ratio ⁵ |
| 1945 | 10,603 | 10,419 | 13,582 | 3,420 | 419,689 | 7,640,703 | 397,402.50 | 657,188.26 | Dollars | Dollars |
| 1946 | 7,423 | 7,333 | 8,811 | 1,459 | 337,536 | 5,901,301 | 374,757.96 | 309,731.03 | —259,785.76 | 1.65 |
| 1947 | 6,886 | 6,762 | 7,834 | 2,033 | 283,300 | 7,668,335 | 422,461.63 | 921,697.09 | 65,026.93 | .83 |
| Total | 24,912 | 24,514 | 30,227 | 6,912 | 1,050,525 | 21,210,339 | 1,104,622.09 | 1,888,616.98 | —499,236.06 | 2.18 |
| Total, all commodities: | | | | | | | | | —693,994.89 | 1.58 |
| 1945 | 164,942 | 151,942 | 192,537 | 62,791 | 5,392,979 | 9,276,080.93 | 23,253,189.03 | 87,000.00 | —13,890,108.70 | --- |
| 1946 | 451,424 | 361,559 | 461,729 | 126,015 | 14,217,333 | 33,102,095.65 | 63,520,638.07 | 2,237,370.35 | —28,181,192.07 | --- |
| 1947 | 539,834 | 397,417 | 498,211 | 87,231 | 16,061,200 | 40,680,775.88 | 33,571,211.32 | 3,128,431.92 | 9,937,996.48 | --- |
| Other income and expenses, 1945-47: | | | | | | | | | | |
| Interest on loans | | | | | | | | | | |
| Debit cancellations | | | | | | | | | | |
| Nonrefundable credits | | | | | | | | | | |
| Reserve adjustment account | | | | | | | | | | |
| premium notes receivable | | | | | | | | | | |
| Total operating results, 1945-47: | 1,156,200 | 910,318 | 1,152,477 | 276,037 | 35,671,512 | 83,058,952.46 | 120,645,059.02 | 5,452,802.27 | —406,432.26 | --- |
| | | | | | | | | | —32,018,002.64 | --- |

¹ The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodity. The number of farms is larger than the number of contracts because a farmer's contract generally includes all his farms in the country. The figure representing number of farms includes duplication where both landlord and tenant are insured.

² Figures are estimated for 1947 wheat, 1947 flax, and 1946 and 1947 cotton. The 1947 figure for tobacco is preliminary.

³ Wheat and flax figures expressed in bushels, cotton in pounds, and tobacco and corn in dollars. Figures are estimated for 1947 wheat, 1947 flax, 1946 and 1947 cotton, and 1947 corn. The 1947 figure for tobacco is preliminary.

⁴ Wheat and flax figures expressed in bushels, cotton figures in pounds. The loss ratios for wheat, flax, and cotton are based on the commodity premiums and indemnities. These ratios for tobacco and corn are based on monetary premiums and indemnities.

⁵ The figures shown for 1945 include only spring wheat, since no winter wheat for harvest in 1945 was insured.

WHEAT CROP INSURANCE

The crop year 1947 was the eighth year of crop insurance operations on wheat. During this 8-year period the commodity coverage type of contract has been used and it afforded the wheat farmer protection against loss of production due to unavoidable causes. The coverage per acre and the premium rate were established in bushel amounts and an indemnity was payable to the insured farmer if the number of bushels of wheat produced was less than his total coverage because of unavoidable causes of loss. However, in actual practice, both premiums and indemnities were converted to dollars for convenience of payment. The conversion price used for computing the dollar amount of the premium was generally the price of wheat per bushel on the day the premium was due, normally about harvest time. The conversion price for indemnities was generally the price per bushel for the day the settlement was made. Although the basic principles of this plan of insurance have remained the same since the start of the wheat program, several refinements and improvements have been made therein.

There were 360,408 wheat contracts in force for the 1947 crop year, the last year for which experience can be given at this time and the last year of Nation-wide operations. On this business the premiums amounted to 10,721,269 bushels of wheat and indemnities of 6,346,986 bushels were paid to farmers, leaving a surplus of 4,374,283 bushels. The losses amounted to 59 percent of the premiums. This was the third consecutive year of wheat operations with a premium surplus. For the 3-year period wheat premiums exceeded losses paid by about \$19,000,000.

The experience in these 3 years was exactly opposite to that during the first 5 years and signifies marked progress in the development of Federal wheat crop insurance. In each of the first 5 years there was an operating deficit that totaled over \$26,000,000 for this period. During the entire 8-year period the indemnities amounted to nearly \$99,000,000 and premiums to over \$91,000,000 which was only a little over \$7,000,000 short of balancing. Details of the insurance experience for the first 5 years were included in the 1944 annual report and are shown for the 3 years 1945-47 in tables 1 and 2 of this report.

It has been the objective since the origin of the crop insurance program that, on each commodity, premiums and indemnities over a period of years should balance. The very nature of crop production precludes a balance each year. The wheat crop insurance operations got off to a bad start in the first 5 years with a substantial deficit due in a very large measure to program weaknesses that have since been corrected. However, the favorable 1945-47 experience, with the improved program and favorable crops and prices, brought premiums and indemnities within about 8 percent of a balance. It now appears that if the program had operated on a national basis for one more year (1948) that premiums over the 9-year period probably would have equaled indemnities.

Beginning with the 1948 crop year the wheat crop insurance program was reduced from a Nation-wide scale to 200 counties in accordance with the legislation enacted August 1, 1947. The location and general distribution of these counties is shown in figure 1. About 40 of them are spring wheat counties and the remaining 160 are winter wheat

[illegible]

See footnotes at end of table.

TABLE 2.—*Wheat crop insurance experience, by States, 1945¹-47*—Continued
(As of June 30, 1948)

| State and crop year | Contracts in force ² | Crop planted and premium earned | | | | | | | | |
|---------------------|------------------------------------|---------------------------------|--------------------|------------------|------------------------------|--------------------------------------|----------------|----------------|-----------------------|---------------|
| | | Contracts ² | Farms ² | Indemni- ties | Insured acreage ³ | Insured pro- duction ³ | Premiums | Indemnities | Surplus or deficit | Loss ratio |
| New York: | <i>Number</i> | <i>Number</i> | <i>Number</i> | <i>Acres</i> | <i>Bushels</i> | <i>Bushels</i> | <i>Bushels</i> | <i>Bushels</i> | <i>Bushels</i> | |
| 1946----- | 4, 287 | 2, 709 | 3, 117 | 31, 920 | 490, 156 | 33, 127 | 34, 716 | —1, 589 | 1. 05 | |
| 1947----- | 5, 499 | 4, 273 | 4, 784 | 96, 500 | 1, 412, 500 | 65, 387 | 56, 860 | 8, 527 | . 87 | |
| North Carolina: | | | | | | | | | | |
| 1946----- | 3, 404 | 2, 629 | 3, 010 | 26, 170 | 391, 059 | 10, 244 | 3, 625 | 6, 619 | . 35 | |
| 1947----- | 3, 951 | 2, 766 | 3, 163 | 32, 300 | 244, 100 | 14, 648 | 3, 000 | 11, 648 | . 20 | |
| North Dakota: | | | | | | | | | | |
| 1945----- | 4, 842 | 4, 562 | 7, 693 | 561, 022 | 3, 417, 224 | 455, 055 | 50, 229 | 404, 826 | . 11 | |
| 1946----- | 6, 182 | 5, 836 | 10, 335 | 797, 107 | 5, 037, 798 | 671, 820 | 118, 744 | 553, 076 | . 18 | |
| 1947----- | 11, 260 | 9, 954 | 18, 446 | 1, 422, 400 | 8, 156, 900 | 1, 079, 037 | 143, 062 | 935, 975 | . 13 | |
| Ohio: | | | | | | | | | | |
| 1946----- | 35, 579 | 28, 770 | 35, 114 | 463, 962 | 5, 819, 547 | 388, 628 | 65, 419 | 323, 209 | . 17 | |
| 1947----- | 39, 603 | 31, 481 | 38, 037 | 577, 000 | 6, 754, 200 | 465, 152 | 253, 654 | 211, 498 | . 55 | |
| Oklahoma: | | | | | | | | | | |
| 1946----- | 7, 463 | 6, 576 | 9, 797 | 739, 637 | 4, 802, 651 | 498, 759 | 494, 403 | 4, 356 | . 99 | |
| 1947----- | 9, 427 | 7, 187 | 10, 237 | 822, 600 | 4, 928, 900 | 597, 725 | 160, 508 | 437, 217 | . 27 | |
| Oregon: | | | | | | | | | | |
| 1945----- | 52 | 45 | 58 | 4, 134 | 77, 504 | 4, 046 | 12, 939 | —8, 893 | 3. 20 | |
| 1946----- | 1, 482 | 1, 166 | 1, 809 | 204, 139 | 2, 574, 846 | 152, 076 | 44, 268 | 107, 808 | . 29 | |
| 1947----- | 1, 847 | 1, 316 | 2, 222 | 252, 300 | 3, 221, 100 | 146, 609 | 153, 526 | —6, 917 | 1. 05 | |
| Pennsylvania: | | | | | | | | | | |
| 1946----- | 10, 342 | 9, 199 | 10, 623 | 126, 887 | 1, 654, 644 | 101, 940 | 38, 212 | 63, 728 | . 37 | |
| 1947----- | 11, 955 | 9, 937 | 10, 533 | 139, 800 | 1, 741, 400 | 108, 026 | 9, 903 | 98, 123 | . 09 | |
| South Dakota: | | | | | | | | | | |
| 1945----- | 2, 916 | 2, 655 | 4, 290 | 220, 223 | 1, 207, 697 | 267, 055 | 88, 908 | 178, 147 | . 33 | |
| 1946----- | 5, 121 | 4, 415 | 7, 353 | 434, 704 | 2, 542, 718 | 573, 191 | 130, 090 | 443, 101 | . 23 | |
| 1947----- | 6, 437 | 4, 803 | 8, 128 | 486, 200 | 3, 177, 900 | 554, 333 | 144, 397 | 409, 936 | . 26 | |

| | | | | | | | | | |
|----------------|---------|---------|---------|--------|------------|------------|------------|-----------|------|
| Tennessee: | 2,496 | 1,370 | 1,482 | 414 | 21,050 | 164,280 | 10,143 | 13,736 | 1.36 |
| 1946 | 5,419 | 2,586 | 2,788 | 382 | 49,200 | 349,600 | 19,906 | 13,951 | .70 |
| 1947 | | | | | | | | | |
| Texas: | 3,741 | 3,061 | 4,070 | 1,656 | 360,073 | 2,304,640 | 434,108 | 454,950 | 1.05 |
| 1946 | 5,880 | 4,351 | 5,628 | 1,640 | 500,800 | 2,977,300 | 611,387 | 302,946 | .50 |
| 1947 | | | | | | | | | |
| Utah: | 129 | 100 | 118 | 8 | 1,661 | 26,396 | 1,893 | 613 | .32 |
| 1945 | | | | | | | | | |
| 1946 | 3,049 | 2,394 | 2,992 | 532 | 88,871 | 1,114,436 | 95,457 | 91,831 | .96 |
| 1947 | 4,214 | 2,860 | 3,867 | 224 | 115,800 | 1,517,500 | 108,860 | 44,188 | .41 |
| Virginia: | 4,423 | 3,601 | 3,990 | 308 | 56,416 | 656,490 | 30,263 | 14,937 | .49 |
| 1946 | 5,189 | 4,084 | 4,468 | 360 | 64,600 | 692,600 | 34,534 | 18,548 | .54 |
| 1947 | | | | | | | | | |
| Washington: | 312 | 260 | 392 | 163 | 29,144 | 441,967 | 22,352 | 65,340 | 2.92 |
| 1945 | | | | | | | | | |
| 1946 | 1,354 | 1,221 | 2,365 | 139 | 373,590 | 4,188,609 | 181,892 | 47,024 | .26 |
| 1947 | 1,949 | 1,634 | 3,600 | 479 | 620,200 | 6,557,900 | 291,512 | 337,463 | 1.16 |
| West Virginia: | 1,325 | 1,118 | 1,233 | 139 | 17,573 | 187,637 | 10,699 | 4,782 | .45 |
| 1946 | 1,577 | 1,231 | 1,339 | 97 | 17,400 | 181,300 | 10,752 | 3,256 | .30 |
| 1947 | | | | | | | | | |
| Wisconsin: | 222 | 128 | 130 | 11 | 811 | 9,239 | 1,123 | 749 | .67 |
| 1945 | | | | | | | | | |
| 1946 | 4,375 | 2,831 | 2,906 | 321 | 16,163 | 199,528 | 20,600 | 10,346 | .50 |
| 1947 | 5,009 | 2,402 | 2,486 | 281 | 17,300 | 207,400 | 19,206 | 11,406 | .59 |
| Wyoming: | | | | | | | | | |
| 1945 | 33 | 28 | 35 | 12 | 1,648 | 13,881 | 2,806 | 2,892 | 1.03 |
| 1946 | 221 | 175 | 341 | 23 | 29,795 | 269,521 | 56,466 | 6,442 | .11 |
| 1947 | 265 | 188 | 380 | 73 | 30,900 | 270,800 | 50,969 | 27,446 | .54 |
| U. S. totals: | | | | | | | | | |
| 1945 | 14,390 | 12,836 | 19,494 | 2,209 | 1,105,857 | 7,594,433 | 1,083,790 | 471,916 | .44 |
| 1946 | 305,428 | 225,397 | 292,273 | 45,564 | 9,223,533 | 84,159,618 | 9,228,593 | 5,380,350 | .58 |
| 1947 | 360,408 | 246,544 | 318,803 | 37,739 | 11,572,800 | 99,506,400 | 10,721,269 | 6,346,986 | .59 |

¹ The figures shown for 1945 include only spring wheat, since no winter wheat for harvest in 1945 was insured.

2 The number of contracts on which a premium was earned is representing number of farms includes duplication where both land- lord and tenant are insured.

usually less than the number of contracts in force because farmers do not plant any acreage of wheat. The number of contracts in some years do not plant any acreage of wheat. ³ Figures for 1947 are estimated.

counties. The Corporation offered 1948 insurance to producers in the spring wheat counties but, except in three counties, was unable to offer this insurance on winter wheat because the winter wheat crop was seeded too soon after the above-mentioned amendment to permit the developing and offering of insurance on this crop. However, there was a substantial amount of old insurance business carried over from the previous year. In the three winter wheat counties the new monetary coverage insurance was offered experimentally for the first time on wheat. Some advance work had been done on this plan of insurance but with only about a month's time for final completion of the plan and for sales the new insurance was offered in only three winter wheat counties. This type of insurance was later tried in seven spring wheat counties.

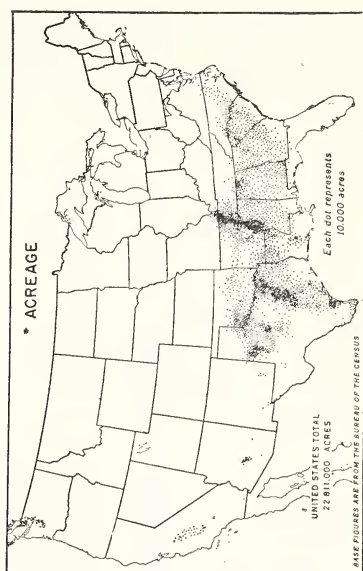
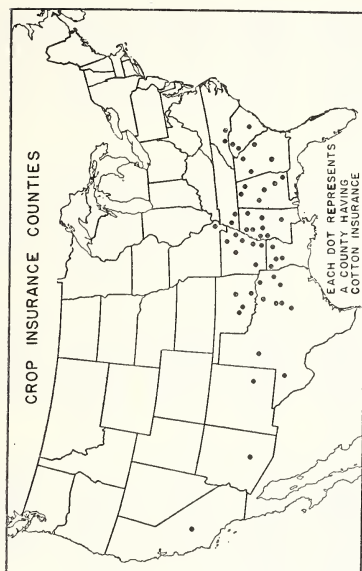
In the 200 wheat counties there are 84,990 contracts in force for the 1948 crop year. Approximately 6 out of 7 of these are 3-year term contracts which were carried over from the previous year. The remaining 1 out of 7 represents new business obtained in the 3 winter wheat counties and the 40 spring wheat counties. All of the carry-over business and most of the new business is the commodity-coverage type of contract. There are only about 2,700 contracts in force in the 10 counties under the monetary-coverage type of insurance, which is an adequate number for the first year's undertaking. Although early season prospects of a crop were poor in a major portion of the hard red winter wheat area due to drought, crop conditions later improved and present indications are that losses will be substantially less than premiums for the fourth consecutive year.

Plans were made in the fiscal year 1948 for the writing of 1949 insurance on wheat. These plans included the continued development of both the commodity-coverage and monetary-coverage types of contracts. The use of the monetary-coverage contract is being expanded from the 10 wheat counties in 1948 to approximately 50 counties in 1949. Both types of coverage are being offered only under continuous contracts. Most of the 1949 wheat insurance business will result from new applications inasmuch as there are only about 20,000 carry-over contracts from 1948. The carry-over business is principally in the spring wheat area and is about equally divided between 3-year contracts written 2 years ago and continuous contracts written last spring.

COTTON CROP INSURANCE

The crop year 1947 is the last year for which cotton crop insurance experience can be given at this time. It was the fifth year of insurance on cotton and the last year of Nation-wide operations. During each year of this period the commodity coverage contract was used to afford cotton farmers protection against loss of lint cotton due to unavoidable causes. Protection against loss of cottonseed could also be obtained by increasing the premium for lint cotton by 20 percent. Both the amount of coverage and the premium rate were expressed in pounds of cotton and an indemnity was payable to the insured farmer if the number of pounds of cotton produced was less than his total coverage, resulting from unavoidable causes of loss. Although computed in pounds, both premiums and indemnities were converted to a monetary basis for payment purposes because this was more convenient to the farmer and the Corporation than any plan of payment in the actual commodity.

COTTON



WHEAT

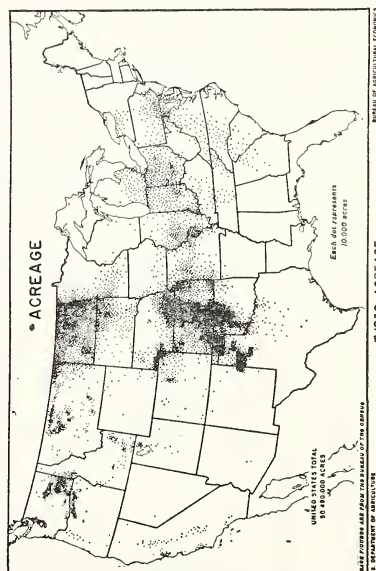
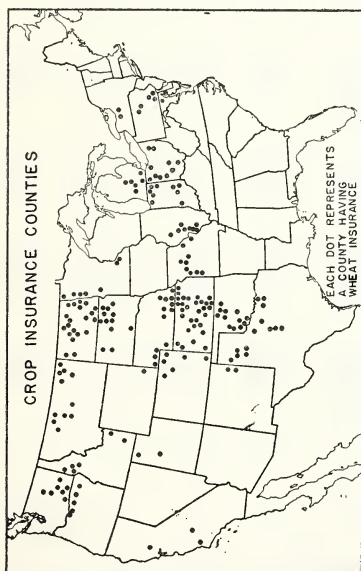


FIGURE 1.—Location of 1948 crop insurance counties and acreage distribution of the commodity insured.

TABLE 3.—*Cotton crop insurance experience, by States, 1945-47*
(As of June 30, 1948)

| State and crop year | Contracts in force ¹ | Crop planted and premium earned | | | | | | | Loss ratio |
|---------------------|---------------------------------|---------------------------------|--------------------|-------------|------------------------------|---------------------------------|-------------|-------------|------------|
| | | Contracts ¹ | Farms ¹ | Indemnities | Insured acreage ² | Insured production ³ | Premiums | Indemnities | |
| | | Number | Number | Number | Acres | Pounds | Pounds | Pounds | |
| Alabama: | | | | | | | | | |
| 1945----- | 10, 312 | 10, 003 | 11, 065 | 1, 547 | 112, 528 | 14, 804, 195 | 661, 740 | 607, 215 | 0. 92 |
| 1946----- | 12, 823 | 12, 379 | 13, 710 | 6, 391 | 144, 500 | 19, 655, 200 | 1, 391, 207 | 3, 620, 380 | 2. 60 |
| 1947----- | 16, 527 | 12, 998 | 14, 213 | 3, 855 | 152, 000 | 17, 522, 300 | 1, 967, 504 | 1, 833, 440 | . 93 |
| Arizona: | | | | | | | | | |
| 1945----- | 288 | 275 | 643 | 224 | 75, 568 | 21, 379, 715 | 716, 656 | 2, 682, 537 | 3. 74 |
| 1946----- | 347 | 338 | 677 | 92 | 97, 700 | 31, 995, 800 | 1, 512, 584 | 642, 552 | . 42 |
| 1947----- | 309 | 295 | 590 | 51 | 292, 800 | 74, 415, 800 | 1, 413, 626 | 659, 691 | . 47 |
| Arkansas: | | | | | | | | | |
| 1945----- | 5, 112 | 4, 562 | 5, 722 | 2, 644 | 118, 081 | 17, 897, 376 | 1, 150, 687 | 4, 117, 803 | 3. 58 |
| 1946----- | 6, 211 | 5, 866 | 7, 341 | 3, 812 | 189, 300 | 27, 809, 900 | 1, 986, 491 | 7, 278, 593 | 3. 66 |
| 1947----- | 8, 336 | 6, 998 | 8, 219 | 4, 076 | 206, 600 | 30, 100, 700 | 2, 981, 563 | 6, 484, 798 | 2. 17 |
| California: | | | | | | | | | |
| 1945----- | 42 | 39 | 50 | 9 | 2, 881 | 1, 279, 757 | 36, 704 | 43, 247 | 1. 18 |
| 1946----- | 530 | 496 | 730 | 205 | 53, 400 | 21, 239, 400 | 938, 008 | 2, 147, 316 | 2. 29 |
| 1947----- | 890 | 772 | 1, 160 | 76 | 56, 100 | 18, 002, 600 | 882, 229 | 346, 183 | . 39 |
| Florida: | | | | | | | | | |
| 1945----- | 213 | 207 | 215 | 38 | 981 | 88, 873 | 6, 351 | 3, 189 | . 50 |
| 1946----- | 140 | 130 | 136 | 28 | 700 | 45, 700 | 3, 285 | 4, 090 | 1. 25 |
| 1947----- | 349 | 325 | 335 | 114 | 2, 100 | 210, 200 | 25, 531 | 36, 793 | 1. 44 |
| Georgia: | | | | | | | | | |
| 1945----- | 6, 165 | 5, 923 | 6, 609 | 1, 825 | 92, 074 | 13, 574, 631 | 751, 716 | 1, 035, 091 | 1. 38 |
| 1946----- | 11, 111 | 10, 203 | 11, 416 | 4, 256 | 143, 900 | 18, 583, 700 | 1, 199, 360 | 2, 721, 092 | 2. 27 |
| 1947----- | 11, 922 | 9, 165 | 10, 032 | 2, 481 | 130, 100 | 15, 575, 900 | 1, 560, 376 | 1, 955, 241 | 1. 25 |
| Illinois: | | | | | | | | | |
| 1945----- | 268 | 231 | 310 | 248 | 2, 649 | 478, 266 | 22, 589 | 175, 872 | 7. 79 |
| 1946----- | 241 | 218 | 300 | 204 | 2, 600 | 469, 600 | 37, 273 | 159, 837 | 4. 29 |
| 1947----- | 263 | 204 | 268 | 145 | 2, 000 | 305, 000 | 49, 713 | 73, 251 | 1. 47 |

TABLE 3.—*Cotton crop insurance experience, by States, 1945-47—Continued*
(As of June 30, 1948)

| State and crop year | Crop planted and premium earned | | | | | | | | |
|---------------------|---------------------------------|--------------------|-------------|------------------------------|---------------------------------|------------|-------------|--------------------|------------|
| | Contracts in force ¹ | Farms ¹ | Indemnities | Insured acreage ² | Insured production ³ | Premiums | Indemnities | Surplus or deficit | Loss ratio |
| Texas: | Number | Number | Number | Acres | Pounds | Pounds | Pounds | Pounds | |
| 1945----- | 33,915 | 43,063 | 24,047 | 1,794,436 | 183,780,156 | 12,178,792 | 42,973,611 | -30,794,819 | 3.53 |
| 1946----- | 37,077 | 47,628 | 35,281 | 2,617,200 | 234,391,500 | 24,314,565 | 93,976,200 | -69,661,635 | 3.87 |
| 1947----- | 27,615 | 30,937 | 10,328 | 1,126,000 | 100,961,700 | 14,931,641 | 12,470,664 | 2,460,977 | .84 |
| Virginia: | | | | | | | | | |
| 1945----- | 209 | 247 | 24 | 1,413 | 194,596 | 9,822 | 7,082 | 2,740 | .72 |
| 1946----- | 446 | 505 | 41 | 2,100 | 347,300 | 28,150 | 10,105 | 18,045 | .36 |
| 1947----- | 166 | 163 | 6 | 800 | 94,200 | 9,428 | 1,213 | 8,215 | .13 |
| U. S. totals: | | | | | | | | | |
| 1945----- | 96,231 | 113,848 | 48,400 | 3,042,651 | 382,648,797 | 22,321,120 | 76,404,653 | -54,083,533 | 3.42 |
| 1946----- | 114,270 | 132,056 | 73,996 | 4,306,100 | 527,400,300 | 43,305,376 | 151,124,755 | -107,819,379 | 3.49 |
| 1947----- | 122,212 | 119,166 | 38,544 | 2,916,700 | 420,892,400 | 40,098,231 | 41,834,636 | -1,736,405 | 1.04 |

¹ The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of cotton. The number of farms is larger than the number of contracts because a farmer's contract generally includes all his farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

² Figures for 1946 and 1947 are estimated.

³ Figures for 1946 and 1947 are estimated. All figures are for lint cotton only. Total liability of the Corporation also includes cottonseed production, when insured.

The basic principles of cotton insurance have remained the same since its beginning in 1942, but there have been more changes and refinements made in the cotton program as experience was gained than for any other commodity. The more important of these changes were discussed generally on page 8. These changes were included in the 122,212 cotton contracts in force for 1947 and the sounder nature of the program is evident since the premiums and indemnities approximately balanced for the first time (tables 1 and 3). For the prior 4 years combined, \$2.93 had been paid out in cotton indemnities for every \$1 in premium income. The cotton operating deficit for this 4-year period amounted to about \$64,000,000, which is 91 percent of the total deficit for all commodities. While it is true that an unfavorable loss experience was to be expected due to the crop and weather conditions, it is also true that a substantial portion of the losses can be attributed to program weaknesses which could be detected only through actual operation of the program and which have been corrected as they became apparent.

The legislative amendment of August 1, 1947, reduced the cotton insurance program from a Nation-wide scope to a maximum of 56 counties beginning in 1948. At the same time it provided broad authority for experimentation with the view of developing the most workable and sound plan of insurance. Under this authority the Corporation in 1948 is testing the monetary-coverage plan of insurance in about one-third of the 56 counties and is continuing the commodity coverage plan with some further changes in the other counties. There are 19,479 insurance policies in force for 1948, and if present crop conditions continue through harvest time, it appears that the first year of experimental cotton insurance will also be the first year this program has operated with a profit.

FLAX CROP INSURANCE

The third year of flax crop insurance operations has been completed. This program was first available on the 1945 crop and up to now has operated in a period when there was above-average interest in the production of flax. Because of the war and postwar needs for this commodity the Government placed considerable emphasis on its production during recent years. This emphasis included a \$5 per acre incentive payment on the 1945 crop and a support price of approximately \$6 per bushel on the 1946 and 1947 crops. The result was a substantial increase in acreage over the long-time average number of acres seeded.

The flax insurance program was based largely on the Corporation's earlier insurance experience on wheat, which is a similar crop with respect to cultural practices, so many of the program improvements made in wheat were applied to flax in the beginning. No doubt these improvements have contributed to the generally good operating results of the flax insurance program. Two of the 3 years show a substantial balance of premiums over indemnities and in the other year the deficit was relatively small and resulted primarily from a price change. For the 3 years combined the operating profit was over \$1,500,000 out of a premium income of a little over \$6,000,000.

The insurance during each of the 3 years has been based on the commodity coverage type of contract. The coverage per acre and

TABLE 4.—*Flax crop insurance experience, by States, 1945-47*
(As of June 30, 1948)

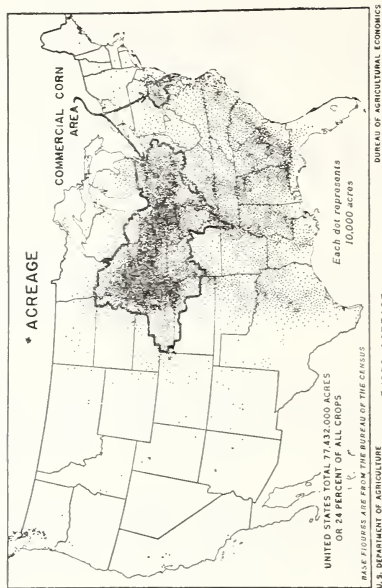
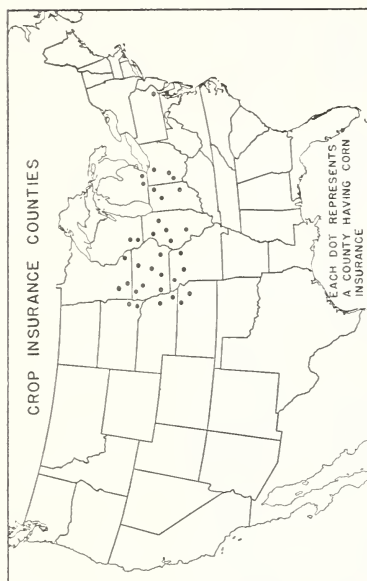
| State and crop year | Crop planted and premium earned | | | | | | | | Loss ratio |
|---------------------|---------------------------------|--------------------|-------------|------------------------------|---------------------------------|----------|-------------|--------------------|------------|
| | Contracts in force ¹ | Farms ¹ | Indemnities | Insured acreage ² | Insured production ² | Premiums | Indemnities | Surplus or deficit | |
| | Number | Number | Number | Acres | Bushels | Bushels | Bushels | Bushels | |
| California: | | | | | | | | | |
| 1946----- | 54 | 89 | 11 | 6,779 | 100,791 | 8,774 | 5,558 | 3,216 | 0.63 |
| 1947----- | 16 | 19 | 3 | 1,400 | 17,600 | 1,517 | 872 | 645 | .57 |
| Iowa: | | | | | | | | | |
| 1945----- | 1,639 | 1,481 | 116 | 20,434 | 142,098 | 23,861 | 3,091 | 20,770 | .13 |
| 1946----- | 96 | 92 | 2 | 1,686 | 8,866 | 1,074 | 32 | 1,042 | .03 |
| 1947----- | 108 | 109 | 4 | 2,700 | 13,500 | 1,881 | 313 | 1,568 | .17 |
| Kansas: | | | | | | | | | |
| 1945----- | 2,681 | 2,438 | 1,296 | 37,905 | 152,987 | 22,450 | 39,792 | -17,342 | 1.77 |
| 1946----- | 1,224 | 1,352 | 461 | 22,563 | 93,140 | 13,655 | 13,207 | 448 | .97 |
| 1947----- | 1,183 | 1,097 | 638 | 21,600 | 83,000 | 12,860 | 32,524 | -19,664 | 2.53 |
| Michigan: | | | | | | | | | |
| 1945----- | 271 | 247 | 159 | 3,086 | 20,353 | 2,078 | 5,359 | -3,281 | 2.58 |
| 1946----- | 166 | 166 | 52 | 2,222 | 15,208 | 1,540 | 1,342 | 198 | .87 |
| 1947----- | 189 | 123 | 92 | 1,800 | 11,900 | 1,263 | 3,959 | -2,696 | 3.13 |
| Minnesota: | | | | | | | | | |
| 1945----- | 17,648 | 21,010 | 4,281 | 496,482 | 2,630,602 | 321,327 | 182,952 | 138,375 | .57 |
| 1946----- | 6,223 | 7,525 | 2,478 | 184,776 | 954,826 | 120,666 | 137,481 | -16,815 | 1.14 |
| 1947----- | 24,890 | 24,339 | 5,131 | 687,600 | 3,595,400 | 473,842 | 299,852 | 173,990 | .63 |
| Missouri: | | | | | | | | | |
| 1945----- | 449 | 315 | 188 | 5,771 | 21,790 | 4,630 | 5,273 | -643 | 1.14 |
| 1946----- | 43 | 45 | 15 | 987 | 3,540 | 715 | 223 | 492 | .31 |
| 1947----- | 109 | 88 | 63 | 2,200 | 6,700 | 1,553 | 3,286 | -1,733 | 2.12 |
| Montana: | | | | | | | | | |
| 1945----- | 203 | 298 | 212 | 16,022 | 42,896 | 10,800 | 18,558 | -7,758 | 1.72 |
| 1946----- | 47 | 37 | 34 | 1,879 | 4,863 | 1,169 | 2,499 | -1,330 | 2.14 |
| 1947----- | 744 | 736 | 288 | 48,900 | 118,600 | 31,301 | 33,033 | -1,732 | 1.06 |

| | | | | | | | | | | |
|----------------------|--------|--------|--------|-------|-----------|-----------|---------|---------|---------|------|
| North Dakota: | | | | | | | | | | |
| 1945 | 3,432 | 2,799 | 3,793 | 535 | 132,172 | 445,104 | 60,435 | 26,086 | 34,349 | .43 |
| 1946 | 957 | 690 | 909 | 254 | 39,465 | 97,799 | 14,690 | 16,569 | -1,879 | 1.13 |
| 1947 | 6,216 | 4,976 | 7,007 | 593 | 364,500 | 774,300 | 144,339 | 30,250 | 114,109 | .21 |
| Oklahoma: | | | | | | | | | | |
| 1946 | 28 | 19 | 23 | 3 | 725 | 2,446 | 349 | 338 | 11 | .97 |
| 1947 | 23 | 19 | 21 | 12 | 1,000 | 3,300 | 548 | 410 | 138 | .75 |
| South Dakota: | | | | | | | | | | |
| 1945 | 1,816 | 1,639 | 2,147 | 121 | 57,569 | 211,756 | 40,533 | 5,169 | 35,364 | .13 |
| 1946 | 522 | 441 | 559 | 209 | 15,340 | 56,356 | 10,655 | 8,703 | 1,952 | .82 |
| 1947 | 2,073 | 1,711 | 2,268 | 154 | 71,300 | 205,500 | 42,663 | 5,838 | 36,825 | .14 |
| Texas: | | | | | | | | | | |
| 1946 | 5 | 5 | 6 | 0 | 366 | 1,531 | 314 | 0 | 314 | .00 |
| 1947 | 3 | 3 | 3 | 1 | 200 | 900 | 168 | 65 | 103 | .39 |
| Wisconsin: | | | | | | | | | | |
| 1945 | 104 | 56 | 58 | 22 | 1,178 | 8,079 | 821 | 2,481 | -1,660 | 3.02 |
| 1946 | 31 | 23 | 23 | 9 | 244 | 1,678 | 248 | 207 | 41 | .83 |
| 1947 | 59 | 40 | 49 | 22 | 1,200 | 6,800 | 986 | 1,752 | -766 | 1.78 |
| U. S. totals: | | | | | | | | | | |
| 1945 | 31,131 | 26,036 | 31,787 | 6,930 | 770,619 | 3,675,665 | 486,935 | 238,761 | 198,174 | .59 |
| 1946 | 10,412 | 8,836 | 10,826 | 3,528 | 277,032 | 1,341,044 | 173,849 | 186,159 | -12,310 | 1.07 |
| 1947 | 35,613 | 28,391 | 35,859 | 7,001 | 1,204,400 | 4,837,500 | 712,941 | 412,154 | 300,787 | .58 |

¹ The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of flax. The number of farms is larger than the number of contracts because a farmer's contract generally includes all his farms in the county. The figure representing number of farms includes duplication where both land-lord and tenant are insured.

² Figures for 1947 are estimated.

CORN



TOBACCO AND FLAX

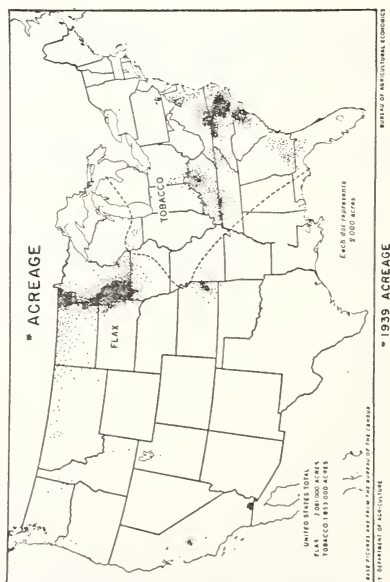
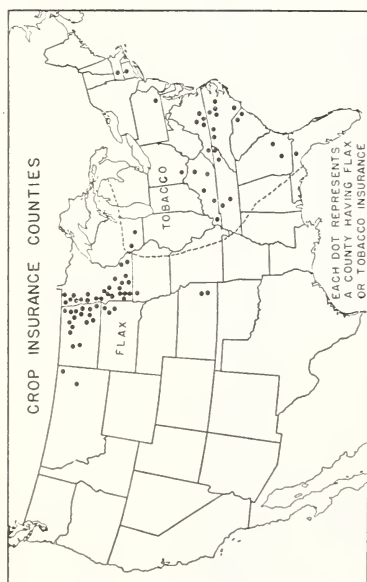


FIGURE 2.—Location of 1948 crop insurance counties and acreage distribution of the commodity insured.

the premium rate were established in bushel amounts and an indemnity was payable to the insured farmer if the number of bushels of flaxseed produced was less than his total coverage. However, for convenience of payment both premiums and indemnities were converted to dollars.

The crop year 1947 is the last year for which experience can be given at this time. The 1947 flax insurance contracts were written on an annual basis and totaled 35,613. On this business the premiums amounted to 712,941 bushels of flax whereas indemnities of 412,154 bushels were paid to farmers, leaving a surplus of 300,787 bushels. On a percentage basis, the 1947 losses paid to farmers amounted to 58 percent of the premiums with the value of the premium surplus amounting to slightly over \$1,500,000. Details of this insurance experience are shown in table 1 for the United States and table 4 by States.

Beginning with the 1948 crop year the flax program was reduced from a Nation-wide basis to 48 counties in accordance with the legislative amendment of August 1, 1947, which established a maximum of 50 counties for flax. The location of these counties is shown in figure 2. In all but four of these counties the Corporation wrote new 1948 commodity-coverage insurance on the basis of a contract which will continue in force from year to year until canceled by either the farmer or the Corporation. In the four counties the monetary-coverage type of insurance was offered on the basis of an annual contract because of the experimental nature of this type of insurance. There are 16,782 contracts in force for the 1948 crop year and present indications are that losses paid to farmers will again be substantially less than premiums.

TOBACCO CROP INSURANCE

The 1947 crop year was the third year of trial insurance on tobacco. It was initiated in 1945 in 13 counties and expanded to 19 counties for 1946 and 1947. Under the experimental provisions of the Federal Crop Insurance Act two general plans of insurance have been tried on tobacco. One is known as yield-quality insurance and the other as investment insurance. Both plans provide substantial quality protection because of the importance of this factor in the production of tobacco. Under both plans the coverage is stated in monetary amounts and the insured farmer is indemnified if the returns from his crop are less than his guaranteed coverage.

The tobacco crop insurance program from its beginning has been rather well accepted by farmers and also has accumulated a premium reserve. After paying loss claims of \$860,000 in the first 2 years, over \$600,000 in premiums were left. For 1947, the third year, there were 14,715 contracts in force in the 19 counties with premiums amounting to a little over \$700,000. As of June 30, 1948, the loss claims on this business amounted to a little over \$500,000, or 74 percent of the premiums. However, some additional losses were to be settled and it appears that the total 1947 tobacco losses will about equal the premiums. Most of these tobacco losses were due to poor quality rather than low yield.

This is the first year that quality has been an important factor in the over-all tobacco losses and indicates the importance of quality

TABLE 5.—*Tobacco trial crop insurance experience, by counties, 1945-47*

(As of June 30, 1948)

YIELD-QUALITY INSURANCE

| State and county | Crop year | Type of tobacco insured | Con- tracts in force 1 | Crop planted and premium earned | | | | | | | | Surplus or deficit | Loss ratio |
|---------------------------|-----------|-------------------------|---------------------------------|---------------------------------|---------|------------------|---------------------|---------------------------|-------------|-------------|-------------|-----------------------|---------------|
| | | | | Con- tracts 1 | Farms 1 | Indem- nities | Insured acreage2 | Insured pro- duction 2 | Premiums | Indemnities | | | |
| | | | Number | Number | Number | Acres | Pounds | Dollars | Dollars | Dollars | | | |
| Georgia: Cook | 1945 | Flue-cured | 314 | 337 | 38 | 1, 197 | 817, 497 | 20, 115.03 | 10, 857.97 | 9, 257.06 | 0.54 | | |
| | 1946 | do | 101 | 99 | 136 | 28 | 440 | 262, 676 | 6, 027.22 | 9, 012.03 | 2, 984.81 | 1.50 | |
| | 1947 | do | 174 | 167 | 184 | 18 | 828 | 374, 046 | 8, 455.68 | 2, 317.78 | 6, 137.90 | .27 | |
| North Carolina: Surry | 1945 | do | 1, 169 | 1, 145 | 14 | 6, 012 | 2, 634, 856 | 53, 202.93 | 3, 336.99 | 49, 865.94 | .06 | | |
| | 1946 | do | 504 | 485 | 543 | 38 | 2, 626 | 1, 177, 717 | 23, 583.00 | 5, 096.77 | 18, 486.23 | .22 | |
| | 1947 | do | 578 | 576 | 624 | 118 | 3, 415 | 1, 411, 136 | 21, 606.04 | 23, 537.65 | 1, 931.61 | .09 | |
| Vance | 1945 | do | 20 | 20 | 23 | 1 | 94 | 72, 113 | 1, 348.59 | 93.04 | 1, 255.55 | .07 | |
| | 1946 | do | 550 | 546 | 724 | 4 | 3, 298 | 1, 326, 960 | 29, 886.66 | 572.25 | 29, 314.41 | .02 | |
| | 1947 | do | 313 | 310 | 356 | 2 | 2, 446 | 847, 333 | 13, 994.40 | 629.95 | 13, 364.45 | .05 | |
| Wilson | 1945 | do | 800 | 800 | 853 | 36 | 6, 024 | 2, 737, 087 | 64, 146.97 | 9, 741.05 | 54, 405.92 | .15 | |
| | 1946 | do | 1, 714 | 1, 540 | 2, 306 | 22 | 13, 287 | 5, 844, 820 | 122, 138.50 | 2, 486.65 | 119, 651.85 | .02 | |
| | 1947 | do | 1, 752 | 1, 746 | 1, 886 | 65 | 14, 842 | 6, 199, 631 | 84, 715.48 | 12, 743.68 | 71, 971.80 | .15 | |
| South Carolina: Marion | 1945 | do | 353 | 351 | 386 | 8 | 1, 694 | 984, 329 | 24, 653.21 | 1, 557.88 | 23, 095.33 | .06 | |
| | 1946 | do | 377 | 369 | 577 | 14 | 3, 442 | 1, 065, 228 | 21, 771.90 | 2, 342.16 | 19, 429.74 | .11 | |
| | 1947 | do | 396 | 395 | 424 | 66 | 2, 717 | 1, 152, 682 | 17, 090.19 | 9, 326.18 | 7, 764.01 | .55 | |
| Virginia: Lunenburg | 1945 | do | 143 | 136 | 154 | 3 | 680 | 423, 576 | 10, 907.65 | 494.68 | 10, 412.97 | .05 | |
| | 1946 | do | 47 | 47 | 65 | 9 | 30 | 12, 818 | 2, 927.70 | 6, 265.19 | 3, 337.49 | .21 | |
| | 1947 | do | 38 | 38 | 46 | 19 | 283 | 105, 611 | 2, 501.16 | 1, 770.80 | 730.36 | .71 | |
| Pittsylvania | 1945 | do | 459 | 457 | 520 | 19 | 1, 859 | 1, 059, 153 | 24, 645.35 | 2, 317.59 | 22, 327.76 | .09 | |
| | 1946 | do | 260 | 259 | 355 | 20 | 1, 225 | 555, 012 | 12, 441.75 | 4, 293.65 | 8, 148.10 | .35 | |
| | 1947 | do | 831 | 799 | 876 | 273 | 3, 403 | 1, 297, 335 | 23, 646.92 | 34, 800.26 | 11, 153.34 | 1.47 | |
| Indiana: Jefferson | 1946 | Burley | 857 | 815 | 985 | 122 | 1, 677 | 942, 753 | 22, 822.94 | 11, 195.77 | 11, 627.17 | .49 | |
| | 1947 | do | 274 | 247 | 263 | 57 | 339 | 219, 179 | 6, 647.68 | 8, 889.88 | 2, 242.20 | 1.34 | |

[illegible]

See footnotes at end of table.

TABLE 5.—*Tobacco trial crop insurance experience, by counties, 1945-47*—Continued
(As of June 30, 1948)

| INVESTMENT INSURANCE ¹ | | | | | | | | | | | | | |
|-----------------------------------|-----------|-------------------------|--|---------------------------------|--------|------------------|---------------------------------|--------------------------------------|-----------|-------------|-----------------------|---------|---------------|
| State and county | Crop year | Type of tobacco insured | Con- tracts in force ¹ | Crop planted and premium earned | | | | | | | | | Loss ratio |
| | | | | Farms ¹ | | Indem- nities | Insured acreage ² | Insured pro- duction ² | Premiums | Indemnities | Surplus or deficit | | |
| | | | | Number | Number | | | | | | | Dollars | |
| Georgia: Cook---- | 1946 | Flue-cured----- | 31 | 29 | 31 | 0 | 158 | 15,365 | 406.72 | 0 | 406.72 | 0.00 | |
| North Carolina: | 1947 | do----- | 150 | 143 | 157 | 1 | 719 | 87,074 | 2,106.53 | 64.82 | 2,041.71 | .03 | |
| Surry----- | 1945 | do----- | 20 | 18 | 20 | 0 | 80 | 8,883 | 570.15 | 0 | 570.15 | .00 | |
| | 1946 | do----- | 20 | 20 | 25 | 0 | 78 | 10,343 | 332.96 | 0 | 332.96 | .00 | |
| | 1947 | do----- | 49 | 46 | 51 | 8 | 220 | 24,225 | 715.04 | 989.84 | -274.80 | 1.38 | |
| Vance----- | 1945 | do----- | 611 | 611 | 742 | 2 | 3,145 | 462,566 | 19,290.31 | 163.63 | 19,126.68 | .01 | |
| | 1946 | do----- | 254 | 247 | 382 | 0 | 1,983 | 191,629 | 4,947.79 | 0 | 4,947.79 | .00 | |
| | 1947 | do----- | 316 | 316 | 373 | 0 | 2,422 | 224,570 | 6,008.35 | 0 | 6,008.35 | .00 | |
| Wilson----- | 1945 | do----- | 572 | 572 | 651 | 2 | 4,608 | 429,721 | 11,622.00 | 137.07 | 11,484.93 | .01 | |
| | 1946 | do----- | 75 | 71 | 111 | 0 | 588 | 55,124 | 1,361.30 | 0 | 1,361.30 | .00 | |
| | 1947 | do----- | 43 | 42 | 51 | 0 | 424 | 40,001 | 834.01 | 0 | 834.01 | .00 | |
| Virginia: | | | | | | | | | | | | | |
| Lunenburg---- | 1945 | do----- | 151 | 145 | 234 | 2 | 750 | 101,491 | 5,361.50 | 124.77 | 5,236.73 | .02 | |
| | 1946 | do----- | 235 | 105 | 233 | 7 | 1,438 | 143,994 | 4,164.04 | 731.53 | 3,432.51 | .18 | |
| | 1947 | do----- | 465 | 461 | 528 | 39 | 2,830 | 282,846 | 6,786.76 | 5,349.75 | 1,437.01 | .79 | |
| Pittsylvania---- | 1945 | do----- | 83 | 82 | 103 | 0 | 323 | 46,105 | 2,322.38 | 0 | 2,322.38 | .00 | |
| | 1946 | do----- | 480 | 477 | 644 | 7 | 2,729 | 273,783 | 7,476.43 | 516.63 | 6,959.80 | .07 | |
| | 1947 | do----- | 568 | 566 | 646 | 44 | 2,799 | 257,380 | 6,124.20 | 4,455.73 | 1,668.47 | .73 | |
| Indiana: Jefferson- | 1946 | Burley----- | 173 | 166 | 186 | 12 | 268 | 33,993 | 1,271.66 | 753.94 | 517.72 | .59 | |
| | 1947 | do----- | 51 | 51 | 58 | 0 | 65 | 9,554 | 231.74 | 0 | 231.74 | .00 | |
| Kentucky: | | | | | | | | | | | | | |
| Bourbon----- | 1945 | do----- | 42 | 41 | 46 | 0 | 260 | 29,920 | 929.20 | 0 | 929.20 | .00 | |
| | 1946 | do----- | 2 | 2 | 2 | 0 | 12 | 1,155 | 27.99 | 0 | 27.99 | .00 | |
| Larue----- | 1945 | do----- | 1 | 1 | 3 | 1 | 3 | 228 | 40.95 | 28.14 | 12.81 | .69 | |
| Simpson----- | 1946 | Dark air-cured | 12 | 12 | 13 | 0 | 22 | 2,120 | 57.85 | 0 | 57.85 | .00 | |
| | 1947 | and Burley. | 6 | 6 | 6 | 0 | 13 | 1,103 | 48.16 | 0 | 48.16 | .00 | |

| | | | | | | | | | | | |
|--------------------|------|----------------|--------|--------|--------|-------|--------|------------|---------------|------------|----------------|
| Ohio: Brown----- | 1946 | Burley----- | 133 | 120 | 143 | 17 | 251 | 27,396 | 1,337.07 | 571.76 | 765.31 |
| | 1947 | do----- | 55 | 53 | 59 | 6 | 93 | 8,564 | 311.77 | 270.37 | 41.40 .87 |
| Tennessee: | | | | | | | | | | | |
| Greene----- | 1945 | do----- | 9 | 9 | 9 | 0 | 11 | 1,347 | 140.47 | 0 | 140.47 .00 |
| | 1946 | do----- | 50 | 49 | 63 | 0 | 125 | 11,830 | 322.62 | 0 | 322.62 .00 |
| | 1947 | do----- | 2 | 1 | 1 | 0 | 1 | 182 | 4.40 | 0 | 4.40 .00 |
| Maury----- | 1946 | do----- | 6 | 5 | 10 | 0 | 19 | 1,766 | 48.25 | 0 | 48.25 .00 |
| | 1947 | do----- | 23 | 23 | 27 | 0 | 84 | 7,706 | 191.02 | 0 | 191.02 .00 |
| Montgomery-- | 1946 | Fire-cured and | 118 | 118 | 137 | 5 | 498 | 46,910 | 1,279.16 | 283.07 | 996.09 .22 |
| | 1947 | Burley----- | 569 | 547 | 637 | 57 | 437 | 294,109 | 9,460.12 | 3,411.96 | 6,048.16 .36 |
| Maryland: Charles- | 1947 | Southern Mary- | 12 | 10 | 10 | 0 | 64 | 7,602 | 298.59 | 0 | 298.59 .00 |
| land. | | | | | | | | | | | |
| Connecticut: Hart- | 1946 | Cigar binder-- | 72 | 65 | 92 | 0 | 23 | 6,413 | 29,292.44 | 0 | 29,292.44 .00 |
| | 1947 | do----- | 4 | 4 | 6 | 1 | 52 | 9,488 | 414.00 | 395.05 | 18.95 .95 |
| Pennsylvania: | 1945 | Cigar filler-- | 63 | 42 | 44 | 0 | 171 | 23,266 | 1,019.20 | 0 | 1,019.20 .00 |
| Lancaster. | 1946 | do----- | 103 | 97 | 113 | 4 | 474 | 55,635 | 1,570.34 | 738.42 | 831.92 .47 |
| | 1947 | do----- | 123 | 123 | 137 | 3 | 640 | 89,430 | 2,234.40 | 138.10 | 2,086.30 .06 |
| Wisconsin: Vernon- | 1945 | do----- | 34 | 26 | 28 | 0 | 76 | 10,730 | 323.67 | 0 | 323.67 .00 |
| | 1946 | Cigar binder-- | 44 | 42 | 44 | 1 | 143 | 19,759 | 541.75 | 98.27 | 443.48 .18 |
| | 1947 | do----- | 165 | 163 | 172 | 12 | 530 | 79,164 | 1,760.89 | 1,442.28 | 318.61 .82 |
| Investment | 1945 | do----- | 1,586 | 1,547 | 1,880 | 7 | 9,427 | 1,114,257 | 41,619.83 | 453.61 | 41,166.22 .01 |
| total. | 1946 | do----- | 1,808 | 1,625 | 2,229 | 53 | 8,809 | 897,218 | 54,438.37 | 3,693.62 | 50,744.75 .07 |
| | 1947 | do----- | 2,601 | 2,555 | 2,919 | 171 | 14,393 | 1,422,998 | 37,519.98 | 16,517.90 | 21,002.08 .44 |
| Total, all | 1945 | do----- | 12,587 | 12,071 | 13,826 | 1,832 | 54,163 | 676,722 | 42,532,038.84 | 144,683.58 | 144,683.58 .79 |
| tobacco. | 1946 | do----- | 13,891 | 13,322 | 17,763 | 1,468 | 72,832 | 800,374.90 | 327,972.67 | 472,402.23 | 472,402.23 .41 |
| | 1947 | do----- | 14,715 | 14,379 | 16,549 | 1,914 | 74,000 | 702,678 | 66,516,958.97 | 185,719.69 | 185,719.69 .74 |

¹ The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of tobacco. The number of farms is larger than the number of contracts because a farmer's

contract generally includes all his farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

² Data for 1947 are preliminary.

protection in the tobacco insurance program. Vernon County, Wis., sustained the heaviest losses, a large part of which resulted from poor quality due to drought during the growing season and a severe freeze about harvest time. Hartford County, Conn., also sustained rather severe quality losses as a result of pole burn after the tobacco was harvested and in the curing barn. The detailed loss experience is shown in table 1 for all counties combined and table 5 by counties.

The amendment of August 1, 1947, to the Federal Crop Insurance Act increased the number of tobacco counties from 20 to 35 beginning with the 1948 crop year. Thirty-two of these counties have an insurance program in 1948 and the other three were reserved for use in extending the program to additional areas in 1949. The same two plans of insurance which were tried in prior years were offered again in 1948 with such changes being made as were necessary to comply with the above-mentioned amendment. However, more emphasis was placed on the monetary-coverage plan principally because it represents a somewhat lower coverage with a correspondingly lower premium rate. The tobacco program was even better received by farmers in 1948 than in prior years, with 31,605 contracts being sold in the 32 counties.

Although the loss experience on this business cannot be forecast at this time, indications are that the tobacco yield per acre will be somewhat lower and the quality of the crop generally poorer than in any recent year. In addition a severe hailstorm occurred in 1 county in which approximately 80 percent of the farmers are insured and caused severe damage on 600 farms with the tobacco crop being completely destroyed on 200 of them. However, the tobacco insurance program will operate at a profit for the 4-year period, 1945-48.

CORN CROP INSURANCE

The crop year 1947 was the third year of experimental crop insurance on corn. First started in 15 counties for 1945, it was expanded to 19 counties for both 1946 and 1947. During each year of this period both the commodity-coverage and the monetary-coverage plans of insurance have been tested. The commodity coverages and premium rates are expressed in bushels and the insured farmer is indemnified if his production is less than his coverage. The monetary coverages and rates are stated in dollar amounts and the insured farmer sustains a loss if the value of his production is less than his coverage. Generally the value of production is based on a predetermined price which is stated in the insurance contract.

For the 1947 crop year there were 6,886 contracts in force in the 19 counties. The premiums on this business amounted to approximately \$422,000 and indemnities of about \$922,000 were paid, giving a loss ratio of 2.18. This was the only insured commodity on which the 1947 losses substantially exceeded premiums, which was to be expected since it was a poor corn crop. Adverse weather in the corn area resulted in the smallest corn crop since the drought year of 1936 and substantial losses are to be expected in a crop insurance program in such years.

This was the second time in the 3-year period that corn losses have exceeded premiums. The 1945 loss ratio was 1.65 primarily as a result of excessive moisture in the planting season and an early fall frost in about one-half of the experimental counties. For 1946 the weather and crop conditions were generally good in the corn area and the loss

TABLE 6.—*Corn trial crop insurance experience, by counties, 1945-47*
(As of June 30, 1948)

YIELD INSURANCE

| State and county | Crop year | Crop planted and premium earned | | | | | | | | | | Loss ratio |
|----------------------|-----------|---------------------------------|------------------------|--------------------|-------------|-----------------|---------------------------------|----------|-------------|--------------------|------|------------|
| | | Contracts in force ¹ | Contracts ¹ | Farms ¹ | Indemnities | Insured acreage | Insured production ² | Premiums | Indemnities | Surplus or deficit | | |
| | | Number | Number | Number | Number | Acres | Bushels | Bushels | Bushels | Bushels | | |
| Illinois: Montgomery | 1945 | 952 | 903 | 1, 125 | 541 | 24, 905 | 394, 793 | 33, 739 | 74, 923 | -41, 184 | 2.22 | |
| | 1946 | 344 | 342 | 405 | 14 | 9, 556 | 148, 728 | 17, 521 | 1, 206 | 16, 315 | .07 | |
| | 1947 | 189 | 179 | 202 | 102 | 5, 100 | 78, 600 | 9, 195 | 21, 665 | -12, 470 | 2.36 | |
| | 1946 | 234 | 233 | 297 | 4 | 16, 945 | 395, 536 | 29, 120 | 598 | 28, 522 | .02 | |
| Vermilion | 1947 | 79 | 79 | 98 | 10 | 5, 400 | 105, 200 | 8, 253 | 2, 027 | 6, 226 | .25 | |
| | 1945 | 565 | 557 | 769 | 10 | 22, 796 | 416, 991 | 14, 757 | 919 | 13, 838 | .06 | |
| | 1946 | 438 | 438 | 549 | 35 | 15, 734 | 304, 427 | 12, 172 | 5, 397 | 6, 775 | .44 | |
| | 1947 | 335 | 333 | 396 | 56 | 11, 500 | 209, 800 | 7, 239 | 10, 686 | -3, 447 | 1.48 | |
| Iowa: Marion | 1945 | 775 | 747 | 1, 153 | 258 | 28, 118 | 532, 499 | 33, 690 | 65, 425 | -31, 735 | 1.94 | |
| | 1946 | 171 | 169 | 252 | 63 | 10, 378 | 228, 847 | 23, 875 | 23, 641 | 234 | .99 | |
| | 1947 | 277 | 261 | 316 | 237 | 12, 900 | 875, 500 | 16, 524 | 101, 233 | -84, 709 | 6.13 | |
| | 1945 | 87 | 87 | 148 | 1 | 7, 347 | 29, 819 | 4, 626 | 166 | 4, 460 | .04 | |
| Kansas: Phillips | 1946 | 78 | 78 | 120 | 93 | 6, 341 | 45, 508 | 9, 496 | 19, 751 | -10, 255 | 2.08 | |
| | 1947 | 50 | 49 | 62 | 24 | 2, 700 | 17, 500 | 4, 202 | 3, 393 | 1, 809 | .81 | |
| | 1946 | 33 | 33 | 36 | 2 | 1, 406 | 25, 968 | 1, 655 | 114 | 1, 541 | .07 | |
| | 1947 | 87 | 86 | 96 | 28 | 2, 300 | 37, 000 | 2, 402 | 6, 018 | -3, 616 | 2.51 | |
| Kentucky: Daviess | 1945 | 263 | 262 | 301 | 39 | 7, 526 | 144, 898 | 9, 668 | 5, 396 | 4, 272 | .56 | |
| | 1946 | 73 | 73 | 90 | 3 | 3, 820 | 39, 022 | 2, 809 | 241 | 2, 568 | .09 | |
| | 1947 | 9 | 9 | 12 | 0 | 300 | 6, 600 | 450 | 0 | 450 | .00 | |
| | 1945 | 1, 337 | 1, 324 | 1, 763 | 334 | 29, 197 | 504, 168 | 28, 709 | 37, 499 | -8, 790 | 1.31 | |
| Michigan: Hillsdale | 1946 | 363 | 362 | 433 | 346 | 7, 148 | 158, 460 | 10, 872 | 68, 942 | -58, 070 | 6.34 | |
| | 1947 | 556 | 534 | 612 | 543 | 9, 900 | 121, 000 | 20, 609 | 98, 245 | -77, 636 | 4.77 | |
| | 1945 | 274 | 271 | 396 | 151 | 19, 417 | 329, 325 | 34, 313 | 52, 654 | -18, 341 | 1.53 | |
| | 1946 | 127 | 122 | 151 | 45 | 7, 753 | 158, 128 | 18, 645 | 10, 045 | 8, 600 | .54 | |
| Minnesota: Redwood | 1947 | 133 | 133 | 157 | 74 | 8, 400 | 147, 500 | 16, 635 | 22, 858 | -6, 223 | 1.37 | |

See footnotes at end of table.

TABLE 6.—*Corn trial crop insurance experience, by counties, 1945-47—Continued*

(As of June 30, 1948)

YIELD INSURANCE—Continued

| State and county | Crop year | Crop planted and premium earned | | | | | | | | Loss ratio |
|----------------------------|-----------|---------------------------------|--------------------|-------------|-----------------|---------------------------------|----------|-------------|--------------------|------------|
| | | Contracts in force ¹ | Farms ¹ | Indemnities | Insured acreage | Insured production ² | Premiums | Indemnities | Surplus or deficit | |
| | | Number | Number | Number | Acres | Bushels | Bushels | Bushels | Bushels | |
| Missouri: Carroll----- | 1945 | 939 | 1,186 | 767 | 27,277 | 461,919 | 49,347 | 135,920 | -86,573 | 2.75 |
| | 1946 | 198 | 236 | 30 | 10,351 | 146,234 | 18,917 | 6,054 | 12,863 | .32 |
| | 1947 | 100 | 97 | 106 | 4,400 | 67,100 | 8,700 | 44,553 | -35,853 | 5.12 |
| Nebraska: Saunders----- | 1945 | 480 | 728 | 38 | 35,967 | 387,264 | 48,081 | 6,053 | 42,028 | .13 |
| | 1946 | 205 | 250 | 4 | 14,898 | 234,795 | 33,138 | 1,840 | 31,298 | .06 |
| | 1947 | 86 | 99 | 49 | 5,000 | 68,600 | 9,094 | 12,319 | -3,225 | 1.35 |
| Ohio: Champaign----- | 1945 | 377 | 366 | 12 | 13,176 | 303,766 | 13,942 | 2,019 | 11,923 | .14 |
| | 1946 | 179 | 212 | 10 | 5,553 | 137,274 | 6,255 | 6,318 | -63 | 1.01 |
| | 1947 | 354 | 381 | 80 | 12,000 | 228,500 | 6,980 | 18,562 | -11,582 | 2.66 |
| Pennsylvania: Chester-- | 1947 | 27 | 25 | 3 | 500 | 20,000 | 837 | 317 | 520 | .38 |
| | 1945 | 340 | 482 | 22 | 23,737 | 206,105 | 25,685 | 4,177 | 21,508 | .16 |
| | 1946 | 30 | 34 | 0 | 1,826 | 28,404 | 4,884 | 0 | 4,884 | .00 |
| South Dakota: Turner-- | 1947 | 12 | 12 | 4 | 400 | 5,400 | 872 | 846 | 26 | .97 |
| | 1945 | 1,311 | 1,510 | 1,053 | 27,150 | 593,060 | 25,028 | 143,605 | -118,577 | 5.74 |
| | 1946 | 378 | 418 | 186 | 9,497 | 310,170 | 22,718 | 38,683 | -15,965 | 1.70 |
| Wisconsin: Sauk----- | 1947 | 617 | 687 | 365 | 13,100 | 305,600 | 28,153 | 45,728 | -17,575 | 1.62 |
| Yield insurance total----- | | 7,700 | 10,012 | 3,226 | 266,613 | 4,304,607 | 321,585 | 528,756 | -207,171 | 1.64 |
| | 1946 | 2,851 | 3,503 | 835 | 121,206 | 2,361,501 | 212,077 | 182,830 | 29,247 | .86 |
| | 1947 | 2,911 | 3,261 | 1,672 | 93,900 | 2,293,900 | 140,145 | 388,450 | -248,305 | 2.77 |

INVESTMENT INSURANCE

| | Number | Number | Number | Acres | Dollars | Dollars | Dollars | Dollars | Dollars |
|--------------------------|--------|--------|--------|---------|-----------|-----------|-----------|-----------|---------|
| Alabama: Madison----- | 1946 | 112 | 115 | 3,468 | 27,301 | 1,530.20 | 4,510.56 | 2,980.36 | 2.95 |
| 1947 | 147 | 147 | 163 | 8,700 | 58,200 | 2,387.58 | 398.75 | 1,988.83 | .17 |
| Georgia: Houston----- | 1946 | 122 | 136 | 6,481 | 38,045 | 3,024.12 | 738.57 | 2,285.55 | .24 |
| 1947 | 78 | 77 | 81 | 8,300 | 24,200 | 1,815.96 | 210.11 | 1,603.85 | .12 |
| Illinois: Vermilion----- | 1945 | 274 | 388 | 18,857 | 229,740 | 13,238.16 | 2,500.46 | 10,737.70 | .19 |
| 1946 | 59 | 77 | 4 | 4,308 | 49,432 | 4,534.21 | 352.76 | 4,181.45 | .08 |
| Iowa: | 1947 | 44 | 51 | 2,600 | 48,600 | 2,037.20 | 0 | 2,037.20 | .00 |
| Buena Vista----- | 1945 | 1,662 | 2,064 | 105,915 | 1,830,356 | 28,383.20 | 19,472.72 | 8,910.48 | .69 |
| 1946 | 1,359 | 1,302 | 1,564 | 99,942 | 1,439,412 | 28,608.67 | 1,973.60 | 26,635.07 | .07 |
| 1947 | 1,300 | 1,532 | 1,532 | 92,400 | 1,313,500 | 25,792.39 | 1,716.83 | 24,075.56 | .07 |
| Marion----- | 1946 | 130 | 204 | 7,036 | 81,658 | 6,429.55 | 1,470.73 | 4,958.82 | .23 |
| Kansas: Phillips----- | 1946 | 128 | 161 | 9,103 | 32,337 | 5,254.49 | 8,768.62 | 3,514.13 | 1.67 |
| 1947 | 14 | 13 | 13 | 700 | 2,300 | 441.69 | 212.00 | 229.69 | .48 |
| Kentucky: Daviess----- | 1946 | 20 | 22 | 300 | 3,869 | 289.63 | 26.23 | 263.40 | .09 |
| 1947 | 1 | 1 | 1 | 100 | 1,500 | 79.20 | 0 | 79.20 | .00 |
| Maryland: Kent----- | 1946 | 48 | 54 | 2,154 | 22,646 | 835.82 | 52.64 | 783.18 | .06 |
| 1947 | 229 | 228 | 252 | 10,600 | 112,200 | 3,003.47 | 228.19 | 2,775.28 | .08 |
| Michigan: Hillsdale----- | 1946 | 160 | 200 | 3,203 | 49,438 | 2,183.79 | 11,236.01 | 9,032.22 | 5.15 |
| 1947 | 78 | 77 | 90 | 1,400 | 21,900 | 1,182.74 | 3,791.67 | 2,608.93 | 3.21 |
| Minnesota: Redwood----- | 1945 | 222 | 305 | 14,784 | 182,986 | 14,658.17 | 12,223.13 | 2,435.04 | .83 |
| 1946 | 449 | 449 | 545 | 26,352 | 276,476 | 20,112.78 | 4,165.69 | 15,947.09 | .21 |
| 1947 | 476 | 476 | 594 | 30,700 | 332,800 | 19,212.38 | 3,244.35 | 15,968.03 | .17 |
| Missouri: Carroll----- | 1946 | 58 | 81 | 2,232 | 20,931 | 2,312.93 | 31.80 | 2,281.13 | .01 |
| 1947 | 373 | 345 | 426 | 14,700 | 144,600 | 11,814.09 | 28,308.14 | 16,494.05 | 2.40 |
| Nebraska: Saunders----- | 1946 | 145 | 180 | 11,530 | 93,993 | 10,229.61 | 764.80 | 9,464.81 | .07 |
| 1947 | 136 | 136 | 151 | 8,100 | 60,600 | 5,352.61 | 418.73 | 4,933.88 | .08 |
| Pennsylvania: Chester-- | 1945 | 731 | 813 | 13,520 | 389,236 | 9,434.70 | 6,828.63 | 2,606.07 | .72 |
| 1946 | 479 | 475 | 547 | 9,732 | 296,214 | 7,946.33 | 4,872.82 | 3,073.51 | .61 |
| 1947 | 481 | 480 | 547 | 9,700 | 299,700 | 7,005.32 | 770.00 | 6,226.32 | .11 |
| South Dakota: Turner-- | 1946 | 69 | 86 | 3,415 | 34,248 | 5,170.59 | 330.68 | 4,839.91 | .06 |
| 1947 | 90 | 90 | 110 | 4,800 | 66,400 | 5,394.98 | 2,540.48 | 2,854.50 | .47 |

See footnotes at end of table.

TABLE 6.—*Corn trial crop insurance experience, by counties, 1945-47*—Continued

(As of June 30, 1948)

INVESTMENT INSURANCE—Continued

| State and county | Crop year | Crop planted and premium earned | | | | | | | | | | Loss ratio |
|-----------------------------------|-----------|---------------------------------|-------------------------|--------------------|--------------|-----------------|----------------------------------|------------|-------------|--------------------|-------|------------|
| | | Contracts in force ¹ | Con-tracts ¹ | Farms ¹ | Indemni-ties | Insured acreage | Insured pro-duction ² | Premiums | Indemnities | Surplus or deficit | | |
| | | Number | Number | Number | Number | Acres | Dollars | Dollars | Dollars | Dollars | | |
| Texas: McLennan----- | 1946 | 110 | 109 | 138 | 30 | 3,757 | 27,419 | 1,813.22 | 2,293.01 | -479.79 | 1.26 | |
| | 1947 | 158 | 155 | 180 | 61 | 5,500 | 44,800 | 2,801.29 | 5,234.31 | -2,433.02 | 1.87 | |
| | 1946 | 1,104 | 1,096 | 1,198 | 308 | 22,573 | 314,714 | 16,854.09 | 26,646.15 | -9,792.06 | 1.58 | |
| Wisconsin: Sauk----- | 1947 | 369 | 345 | 382 | 45 | 6,100 | 89,200 | 4,238.65 | 3,222.05 | 1,016.60 | .76 | |
| Investment in- surance total-- | 1945 | 2,903 | 2,876 | 3,570 | 194 | 153,076 | 2,632,318 | 65,714.23 | 41,024.94 | 24,689.29 | .62 | |
| | 1946 | 4,572 | 4,497 | 5,308 | 624 | 216,330 | 2,808,153 | 117,130.03 | 68,234.67 | 48,895.36 | .58 | |
| | 1947 | 3,975 | 3,910 | 4,573 | 361 | 199,400 | 2,620,500 | 92,579.55 | 50,304.61 | 42,274.94 | .54 | |
| Total, all corn---- | 1945 | 10,603 | 10,419 | 13,582 | 3,420 | 419,689 | ----- | ----- | ----- | ----- | ----- | |
| | 1946 | 7,423 | 7,333 | 8,811 | 1,459 | 337,536 | ----- | ----- | ----- | ----- | ----- | |
| | 1947 | 6,886 | 6,762 | 7,834 | 2,033 | 293,300 | ----- | ----- | ----- | ----- | ----- | |

¹ The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of corn. The number of farms is larger than the number of contracts because a farmer's

contract generally includes all his farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

² Figures for 1947 are estimated.

experience was favorable. For the 3 years combined corn losses have exceeded premiums by 58 percent, with a total deficit of nearly \$700,000. This experience is summarized in table 1 and is shown by counties in table 6.

Although there has been a rather close correlation between the corn crop conditions and the amount of losses paid insured corn farmers, this commodity does present some problems which the Corporation has not completely solved. It is a crop which is both a cash and feed crop for farmers. There is also a tendency to plant longer-maturing, higher-yielding varieties which create problems because of the greater risk from frost. Furthermore, the corn insurance program has not been as well received by farmers as have the programs for some other commodities. In view of these problems the Corporation is expanding this program slowly, and although the amendment of August 1, 1947, increased the maximum number of corn counties from 20 to 50, the program is operating in only 36 counties for 1948. In addition, corn was one of several commodities insured in two counties under a multiple-crop contract discussed earlier in this report.

There are 14,115 contracts in force in the 36 counties for 1948. Most of these contracts are based on the monetary-coverage type of insurance, with the others being on the commodity coverage type. Inasmuch as the bulk of the losses are yet to be settled on this business it is not possible to forecast the loss experience thereon. However, based on present estimates of State and county representatives of the Corporation and the good condition of the 1948 corn crop, it appears that the losses will be relatively light and the premium balance substantial.

FINANCIAL STATEMENTS

The financial statements shown herein consist of a comparative balance sheet (Exhibit A, p. 39), showing account status at June 30, 1948, and June 30, 1947, and a comparative statement of administrative and operating expenses (Exhibit B, p. 40) for the 1948 and 1947 fiscal year appropriations. The balance sheet reflects activities affecting the capital and insurance funds only. The equipment owned by the Corporation does not appear as an asset, since purchases of equipment are made from funds appropriated separately for administrative expenses.

The financial statements do not reflect premium income on 1948 crops for insurance in force on June 30, 1948, except for a small amount of premiums paid prior to maturity of the premium notes. The amount of such advance premium payments less the amount of approved indemnity claims covering early losses on the 1948 crop is shown in the balance sheet and classified under "Deferred credits."

Premium notes are executed with the signing of applications for insurance. The insurance premiums, however, are not determined until after reports of the acreage planted on each insured farm have been obtained. The premium notes mature about the time crops are harvested. The premiums are billed and recorded immediately following the maturity dates of the notes. Under the reduced insurance operations of the Corporation commencing with crops planted for harvest in 1948, it is estimated that premiums on 1948 insured crops will approximate \$13,000,000. Substantially all indemnity

losses on the 1948 crop will be determined and paid subsequent to June 30, 1948.

Explanatory comments on balance sheet

(Exhibit A, p. 39)

CASH

Cash amounting to \$24,749,690.84 was on deposit with the Federal Reserve Bank of Chicago and the Chief Disbursing Officer of the Treasury Department as of June 30, 1948. Treasury Department facilities are utilized in making deposits and disbursements. Receipts and disbursements are handled by the Chicago branch office of the Corporation through the accounts of the Chief Disbursing Officer of the Treasury Department. The Federal Reserve Bank of Chicago is used as the depository.

ACCOUNTS RECEIVABLE

Insured producers' unpaid accounts amount to \$6,452,524.25 as of June 30, 1948. This consists primarily of amounts due from insured producers on crop insurance premium notes. It also includes unpaid interest on paid premium notes for the 1945, 1946, and 1947 crop years, overpayments of indemnities to insured producers, and credit items representing overpayments by insured producers which are to be refunded. The increase of \$3,940,721.21 over the balance as of June 30, 1947, represents the net excess of insurance premiums on 1947 crop year contracts over total collections received during the 1948 fiscal year. This outstanding balance is about 5.6 percent of the total amount of the premium notes for the 1942, 1943, 1945, 1946, and 1947 crop years.

The increase in the balance of accounts receivable outstanding as of June 30, 1948, over June 30, 1947, is for the most part attributed to the collection resistance encountered in those counties where the Corporation was required to discontinue offering crop insurance, beginning with the 1948 crop year, in accordance with the crop insurance legislation of August 1, 1947. As stated in the first section of this report definite action is being taken to collect these outstanding premiums, including legal proceedings wherever necessary.

The reserve for uncollectible accounts of \$740,188.81 represents the balance as of June 30, 1948, of a reserve established during the fiscal years 1947 and 1948 as applicable to unpaid balances of premiums on insurance contracts for crop years 1942 through 1947. Additions to the reserve are made at the close of the fiscal year on the basis of one-half of 1 percent of the gross premiums for the preceding crop year. Charges are made against the reserve as accounts are determined to be uncollectible.

The amount of \$851,647.33 due from the Commodity Credit Corporation (PMA) on June 30, 1947, resulted from commodity purchase and sale transactions consummated by the Commodity Credit Corporation for the account of the Federal Crop Insurance Corporation. This amount was collected during the fiscal year 1948.

The balance of \$1,505.46 shown as due from "Other" represents primarily checks scheduled for cancelation because of change in Chief Disbursing Officers.

COMMODITIES PURCHASED FOR DEFERRED DELIVERY—WHEAT

The balance in this account amounting to \$3,705,354.70 on June 30, 1947, which represented the cost of 1,725,732 bushels of wheat purchased for deferred delivery (unfilled wheat purchase commitments) by the Commodity Credit Corporation (PMA) for the account of the Federal Crop Insurance Corporation, was liquidated as a result of commodity purchase and sale transactions during the fiscal year 1948.

ACCOUNTS PAYABLE

Estimated indemnities payable represent established cash values (crop years 1941 through 1946) and estimated cash values (crop years 1947 and 1948) of outstanding certificates of indemnities as of June 30, 1948, issued to insured producers in settlement of loss claims under crop insurance contracts and not presented to the Corporation for payment. The claims resulted from losses that occurred on insured crops during crop years 1941 through 1948. The Corporation is expending every effort to have 1941-43 outstanding certificates submitted for payment. The liability by applicable crop years is shown as follows:

| | |
|--|---------------------|
| Crop years 1941 to 1943 (established cash value) | \$86, 862. 45 |
| Crop year 1945 (established cash value) | 126. 00 |
| Crop year 1946 (established cash value) | 17, 929. 00 |
| Crop year 1947 (estimated) | 85, 623. 00 |
| Crop year 1948 (estimated) | 108, 735. 00 |
| Total | <u>299, 275. 45</u> |

The estimated liability for the 1947 and 1948 crop years does not include liability for unapproved indemnity claims.

The following summary reflects the distribution of the liability for unliquidated loss claims by commodities:

| | |
|------------------------|---------------------|
| Wheat contracts | \$167, 574. 38 |
| Cotton contracts | 63, 893. 07 |
| Flax contracts | 51, 498. 00 |
| Corn contracts | 16, 310. 00 |
| Total | <u>299, 275. 45</u> |

The Corporation's liability on indemnity claims in most cases is computed in terms of commodity, and a certificate of indemnity is issued to a claimant in settlement of an approved indemnity claim. Until such time as the certificate is surrendered to the Corporation for payment or an established cash equivalent of the claim is determined, an estimate of the value of the outstanding certificate is necessary. Average market prices on dates applicable to the respective commodities are the bases for the estimate.

The decrease of \$1,771,552.40 in estimated indemnities payable as of June 30, 1948, compared with June 30, 1947, represents the net liquidation of the Corporation's liability during the fiscal year 1948.

Returned checks unclaimed-canceled amounting to \$7,254.72 consist of amounts due insured producers for which checks issued in payment were, for various reasons, not delivered to the payees. Such checks are returned to the Corporation and canceled. When the proper payees are determined or located new checks are issued in payment of the amounts due.

The balance due administrative funds amounting to \$134,212.93 is comprised of storage recoveries deducted from indemnity payments. Such storage recoveries are payable to the administrative funds.

DEFERRED LIABILITIES

The balance of unfilled wheat purchase commitments amounting to \$3,705,354.70 on June 30, 1947, which represented the cost value of undelivered wheat purchases (purchased for deferred delivery), was liquidated as a result of commodity purchase and sale transactions during the fiscal year 1948.

DEFERRED CREDITS

The balance of unapplied premium receipts amounting to \$11,321.97 as of June 30, 1948, consist of insurance premium receipts which cannot be immediately identified and are placed in this account until proper application can be made. Insurance premiums are normally collected by county associations which in turn transmit them to the branch office. In some instances, however, insured producers transmit premium payments directly to the branch office without including adequate information to identify their contracts.

The balance of advance premium payments amounting to \$196,483.25 as of June 30, 1948, represents premiums collected before maturity on insurance contracts (less approved indemnity claims) for the 1948 crop year as follows:

| | |
|--------------------------------------|---------------------|
| Premium collections..... | \$363, 235. 01 |
| Less: Approved indemnity claims..... | 166, 751. 76 |
| Net amount..... | <u>196, 483. 25</u> |

The decrease of \$153,173.32 represents the net decrease in premiums collected before maturity (less approved indemnity claims) for the crop year 1948 compared with the crop year 1947.

CAPITAL

Capital stock authorized and outstanding as of June 30, 1948, amounting to \$100,000,000 represents the entire capital stock authorized in the Corporation's enabling act. All of the capital stock had been subscribed by the Secretary of the Treasury and was requisitioned by the Corporation prior to June 30, 1948.

The increase of \$10,000,000 in capital stock outstanding as of June 30, 1948, compared with June 30, 1947, represents an additional appropriation made to the Secretary of the Treasury during the fiscal year 1948 which was requisitioned by the Corporation prior to the close of the fiscal year.

The operating deficit of \$70,185,016.58 represents the total deficit from insurance operations applicable to the crop years from 1939 to 1943, inclusive, and to the crop years 1945, 1946, and 1947. The decrease in the operating deficit from insurance operations recorded during the fiscal year 1948 amounted to \$9,345,893.72. This decrease in deficit is applicable to crop years as follows:

| | |
|---|------------------------|
| Crop years 1945, 1946, and 1947..... | \$9, 345, 887. 75 |
| Crop years 1939 to 1943, inclusive..... | 5. 97 |
| Total decrease..... | <u>9, 345, 893. 72</u> |

The decrease in deficit applicable to crop years 1945, 1946, and 1947 is reflected by commodities in table 6 of this report. The decrease in deficit applicable to the crop years 1939 to 1943, inclusive, consists of minor adjustments.

Explanatory comments on administrative and operating expenses

(Exhibit B, p. 40)

Exhibit B reflects a comparison of administrative and operating expenses for the 1948 and 1947 fiscal year appropriations as of June 30, 1948. The decrease in total expenses amounting to \$2,479,696.46 for the fiscal year 1948, as compared with that for fiscal year 1947, reflects the reduced cost of administration as a result of the insurance programs being placed on an experimental basis beginning with crop year 1948.

Exhibit A

Comparative balance sheet as of June 30, 1948, and June 30, 1947

| ASSETS | | | |
|--|---------------------------|-----------------------------|-----------------------|
| | June 30, 1948 | June 30, 1947 | Increase —Decrease |
| Cash..... | \$24,749,690.84 | \$10,177,564.96 | \$14,572,125.88 |
| Accounts receivable: | | | |
| Insured producers..... | 6,452,524.25 | 2,511,803.04 | 3,940,721.21 |
| Less: Reserve for uncollectible accounts..... | 740,188.81 | 561,270.30 | 178,918.51 |
| Net amount..... | 5,712,335.44 | 1,950,532.74 | 3,761,802.70 |
| Commodity Credit Corporation (PMA)..... | | 851,647.33 | —851,647.33 |
| Other..... | 1,505.46 | 12,369.58 | —10,864.12 |
| Total accounts receivable..... | 5,713,840.90 | 2,814,549.65 | 2,899,291.25 |
| Commodities purchased for deferred delivery—wheat..... | | 3,705,354.70 | —3,705,354.70 |
| Total assets..... | 30,463,531.74 | 16,697,469.31 | 13,766,062.43 |
| LIABILITIES AND CAPITAL | | | |
| Accounts payable: | | | |
| Indemnities payable—estimated..... | ¹ \$299,275.45 | ¹ \$2,070,827.85 | —\$1,771,552.40 |
| Returned checks unclaimed—canceled..... | 7,254.72 | 7,436.47 | —181.75 |
| Due administrative funds..... | 134,212.93 | 56,371.30 | 77,841.63 |
| Total accounts payable..... | 440,743.10 | 2,134,635.62 | —1,693,892.52 |
| Deferred liabilities: | | | |
| Unfilled wheat purchase commitments..... | | 3,705,354.70 | —3,705,354.70 |
| Deferred credits: | | | |
| Unapplied premium receipts..... | 11,321.97 | 38,732.72 | —27,410.75 |
| Advance premium payments (less approved indemnity claims)..... | 196,483.25 | 349,656.57 | —153,173.32 |
| Total liabilities..... | 648,548.32 | 6,228,379.61 | —5,579,831.29 |
| Capital: | | | |
| Capital stock authorized..... | 100,000,000.00 | 100,000,000.00 | — |
| Less: Unissued stock..... | | 10,000,000.00 | —10,000,000.00 |
| Capital stock outstanding..... | 100,000,000.00 | 90,000,000.00 | 10,000,000.00 |
| Operating deficit..... | 70,185,016.58 | 79,530,910.30 | —9,345,893.72 |
| Net capital..... | 29,814,983.42 | 10,469,089.70 | 19,345,893.72 |
| Total liabilities and capital..... | 30,463,531.74 | 16,697,469.31 | 13,766,062.43 |

¹ Does not include liability for unapproved indemnity claims.

Exhibit B

Comparative statement of administrative and operating expenses for the 1948 and 1947 fiscal year appropriations as of June 30, 1948

| Item | Fiscal year | | Increase — Decrease |
|---|------------------|------------------|------------------------|
| | 1948 | 1947 | |
| Direct expenses: | | | |
| Personal services..... | \$2, 542, 219.90 | \$3, 013, 160.12 | —\$470, 940.22 |
| Travel..... | 347, 801.51 | 349, 543.59 | —1, 744.08 |
| Transportation of things..... | 13, 624.61 | 23, 009.15 | —9, 384.54 |
| Communication services..... | 156, 586.79 | 21, 633.42 | 34, 953.37 |
| Rents and utility services..... | 139, 906.06 | 53, 597.60 | 86, 308.46 |
| Printing and binding..... | 46, 426.04 | 84, 131.10 | —37, 705.06 |
| Other contractual services..... | 27, 352.43 | 18, 777.83 | 8, 604.60 |
| Insurance contract sales expense..... | 563, 807.50 | 603, 220.50 | —39, 413.00 |
| Commodity purchase expense..... | 12, 000.00 | 52, 403.66 | —40, 403.66 |
| Coverage and rate analysis expense..... | 117, 433.47 | ----- | 117, 433.47 |
| Premium collection expense..... | 248, 405.40 | ----- | 248, 405.40 |
| PMA, State and headquarters office expense..... | 101, 228.85 | ----- | 101, 228.85 |
| Audit expense..... | 15, 000.00 | 16, 594.58 | —1, 594.58 |
| Supplies and materials..... | 40, 802.57 | 45, 334.06 | —4, 531.49 |
| Total..... | 4, 272, 625.13 | 4, 281, 407.61 | —8, 782.48 |
| Commodity storage expense: | | | |
| Wheat..... | 159, 358.90 | 322, 083.72 | —162, 724.82 |
| Cotton..... | ----- | 9, 862.07 | —9, 862.07 |
| Flax..... | 1, 046.65 | ----- | 1, 046.65 |
| Total direct expenses..... | 4, 433, 030.68 | 4, 613, 353.40 | —180, 322.72 |
| Allotted to cooperating agencies: | | | |
| Field Service Branch (PMA)..... | ----- | 2, 287, 419.50 | —2, 287, 419.50 |
| Treasury Department..... | ----- | 22, 771.00 | —22, 771.00 |
| Total expenses (excluding equipment purchases) | 4, 433, 030.68 | 6, 923, 543.90 | —2, 490, 513.22 |
| Equipment purchased..... | 11, 462.49 | 645.73 | 10, 816.76 |
| Total expenses..... | 4, 444, 493.17 | 6, 924, 189.63 | —2, 479, 696.46 |

¹ Includes penalty mail expense in the amount of \$32,594.55.

